

No. 2496

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**In the United States Circuit Court  
of Appeals**  
**FOR THE NINTH CIRCUIT**

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**NATIONAL MERCANTILE COMPANY, LIM-  
ITED, a Corporation,**  
**Appellant.**

**vs.**

**R. A. WATSON, Corporation Commissioner, and  
Others,**  
**Appellees.**

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**TRANSCRIPT OF RECORD.**

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Upon Appeal from the District Court of the United  
States for the District of Oregon.

**Filed**

**OCT 16 1914**

**F. D. Monckton,**

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**Clerk.**  
Metropolitan Press, Portland, Ore.



No. ....

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In the United States Circuit Court of Appeals  
for the Ninth Circuit

NATIONAL MERCANTILE COMPANY, LIM-  
ITED, a Corporation,

Appellant.

vs.

R. A. WATSON, Corporation Commissioner, and  
Others,

Appellees.

**Names and Addresses of Attorneys of Record.**

A. K. WILSON, O. A. NEAL and GEORGE  
ROSSMAN, Chamber of Commerce Building,  
Portland, for the Appellant.

M. L. PIPES, JOHN M. PIPES and GEORGE  
A. PIPES for the Appellee, R. A. Watson, Cor-  
poration Commissioner.

A. M. CRAWFORD, Attorney General, Salem, Ore-  
gon, and WALTER H. EVANS, District At-  
torney for Multnomah County, and ARTHUR A.  
MURPHY, Deputy District Attorney for Multno-  
mah County, County Court House, Portland, Ore-  
gon, for all the defendants except R. A. Watson.

*In the District Court of the United States, for the Dis-  
trict of Oregon.*

THE NATIONAL MERCANTILE COM-  
PANY, LIMITED, a Corporation,

Plaintiff,

vs.

R. A. WATSON, Corporation Commissioner;  
A. M. CRAWFORD, Attorney General;

WALTER H. EVANS, Dist. Atty. in Multnomah Co.; JOHN IRWIN, Dist. Atty. in Klamath County; E. E. KELLY, Dist. Atty. in Jackson County; GEORGE M. BROWN, Dist. Atty. in Douglas County; JOSEPH M. DEVERS, Dist. Atty. in Lane County; ARTHUR CLARKE, Dist. Atty. in Benton County; LAWRENCE A. LILJEQUIST, Dist. Atty. in Coos County; GALE S. HILL, Dist. Atty. in Linn County; ERNEST R. RINGO, Dist. Atty. in Marion County; GILBERT L. HEDGES, Dist. Atty. in Clackamas County; D. H. UPJOHN, Dist. Atty. in Polk County; E. B. TONGUE, Dist. Atty. in Washington County; C. W. MULLENS, Dist. Atty. in Clatsop County; W. B. DILLARD, Dist. Atty. in Columbia County; W. A. BELL, Dist. Atty. in Wasco County; FREDERICK H. STEIWER, Dist. Atty. in Umatilla County; S. T. GODWIN, Dist. Atty. in Baker County,  
Defendants.

Citation.

United States of America,  
District of Oregon,—ss.

To R. A. Watson, Corporation Commissioner, and to Pipes, Pipes & Pipes, his solicitors; and to A. M. Crawford, Attorney General; Walter H. Evans, District Attorney in Multnomah County; John Irwin, District Attorney in Klamath County; E. E. Kelly, District



Attorney in Jackson County; George M. Brown, District Attorney in Douglas County; Joseph M. Devers, District Attorney in Lane County; Arthur Clarke, District Attorney in Benton County; Lawrence A. Liljequist, District Attorney in Coos County; Gale S. Hill, District Attorney in Linn County; Ernest R. Ringo, District Attorney in Marion County; Gilbert L. Hedges, District Attorney in Clackamas County; D. H. Upjohn, District Attorney in Polk County; E. B. Tongue, District Attorney in Washington County; C. W. Mullens, District Attorney in Clatsop County; W. B. Dillard, District Attorney in Columbia County; W. A. Bell, District Attorney in Wasco County; Frederick H. Steiwer, District Attorney in Umatilla County; and S. T. Godwin, District Attorney in Baker County; and to A. M. Crawford, Walter H. Evans and Arthur A. Murphy, Solicitors for all the Defendants except R. A. Watson:

WHEREAS, The National Mercantile Company, Limited, a corporation, plaintiff in the above entitled cause, has lately appealed to the United States Circuit Court of Appeals, for the Ninth Circuit, from a decree rendered in the District Court of the United States for the District of Oregon, in your favor, and has given the security required by law, you are, therefore, hereby cited and admonished to be and appear before said United States Circuit Court of Appeals, for the Ninth Circuit, at San Francisco, California, within thirty days from the date hereof, and show cause, if any there be, why the said decree should not be corrected, and speedy

justice should not be done to the parties in that behalf.

WITNESS the Honorable Robert S. Bean, United States District Judge for the District of Oregon, this 10th day of September, 1914.

R. S. BEAN,  
Judge.

District of Oregon,  
County of Multnomah,—ss.

Due service of the within citation on appeal is hereby accepted in Multnomah County, Oregon, this 10th day of September, 1914, by receiving a copy thereof, duly certified to as such by O. A. Neal, one of the attorneys for plaintiff.

MARTIN L. PIPES,  
Attorney for Defendant, R. A. Watson.

WALTER H. EVANS,  
Attorney for all the Defendants except said Defendant, R. A. Watson.

Filed September 10, 1914. G. H. Marsh, Clerk.

*In the District Court of the United States for the District of Oregon.*

March Term, 1914.

BE IT REMEMBERED, That on the 20th day of April, 1914, there was duly filed in the District Court of the United States for the District of Oregon, a Bill of Complaint in words and figures as follows, to wit:

**Bill of Complaint.**



*In the District Court of the United States for the District of Oregon.*

THE NATIONAL MERCANTILE COMPANY, LIMITED, a Corporation,

Plaintiff,

vs.

R. A. WATSON, Corporation Commissioner;  
A. M. CRAWFORD, Attorney General;  
WALTER H. EVANS, Dist. Atty. in  
Multnomah County; JOHN IRWIN, Dist.  
Atty. in Klamath County; E. E. KELLY,  
Dist. Atty. in Jackson County; GEORGE  
M. BROWN, Dist. Atty. in Douglas County;  
JOSEPH M. DEVERS, Dist. Atty. in  
Lane County; ARTHUR CLARKE, Dist.  
Atty. in Benton County; LAWRENCE  
LILJEQUIST, Dist. Atty. in Coos County;  
GALE S. HILL, Dist. Atty. in Linn  
County; ERNEST R. RINGO, Dist.  
Atty. in Marion County; GILBERT L.  
HEDGES, Dist. Atty. in Clackamas County;  
D. H. UPJOHN, Dist. Atty. in Polk  
County; E. B. TONGUE, Dist. Atty. in  
Washington County; C. W. MULLENS,  
Dist. Atty. in Clatsop County; W. B. DILLARD,  
Dist. Atty. in Columbia County;  
W. A. BELL, Dist. Atty. in Wasco County;  
FREDERICK H. STEIWER, Dist.  
Atty. in Umatilla County; C. T. GODWIN,  
Dist. Atty. in Baker County,

Defendants.

**In Equity.**

To the Honorable Judge of the District Court of the  
United States in and for the District of Oregon:

In Equity.

1.

The National Mercantile Company, Limited, a corporation organized and existing under the laws of the Province of British Columbia, Dominion of Canada, and having general offices and principal place of business in the City of Vancouver, Province of British Columbia, Dominion of Canada, brings this its bill against R. A. Watson, Corporation Commissioner; A. M. Crawford, Attorney General; Walter H. Evans, District Attorney in Multnomah County, Oregon; John Irwin, District Attorney in Klamath County, Oregon; E. E. Kelly, District Attorney in Jackson County, Oregon; George M. Brown, District Attorney in Douglas County, Oregon; Joseph M. Devers, District Attorney in Lane County, Oregon; Arthur Clarke, District Attorney in Benton County, Oregon; Lawrence A. Liljequist, District Attorney in Coos County, Oregon; Gale S. Hill, District Attorney in Linn County, Oregon; Ernest R. Ringo, District Attorney in Marion County, Oregon; Gilbert L. Hedges, District Attorney in Clackamas County, Oregon; D. H. Upjohn, District Attorney in Polk County, Oregon; E. B. Tongue, District Attorney in Washington County, Oregon; C. W. Mullens, District Attorney in Clatsop County, Oregon; W. B. Dillard, District Attorney in Columbia County, Oregon; W. A. Bell, District Attorney in Wasco County, Oregon; Frederick H. Steiwer, District Attorney in Umatilla County, Oregon; C. T. Godwin,

District Attorney in Baker County, Oregon; all in the State of Oregon, and for its cause of suit plaintiff states as follows:

## II.

This is a suit between citizens of different States; that the value of matters in this controversy herein exceeds the sum of three thousand dollars, exclusive of interest and costs, as set forth more fully hereinafter.

## III.

The jurisdiction of this Honorable Court is invoked because and by reason of the federal issues involved in this suit, as more fully set forth hereinafter, and the equity jurisdiction of this Court is sought to avoid a multiplicity of suits, and to prevent irreparable loss and injury to the business and property of the plaintiff, as hereinafter set forth, and because the plaintiff has no adequate remedy at law.

## IV.

That this plaintiff is regularly engaged in the business of loaning money upon mortgage security upon real property, and issues contracts to prospective borrowers, whereby such borrowers are placed in groups of 100, in the consecutive order of the signing of these contracts, and, upon the accumulation of sufficient funds in the loan fund of the plaintiff, become entitled to loans in their consecutive order; that the general plan of operation by which this plaintiff conducts its business, hereinbefore stated, is as follows:

The plaintiff maintains offices in many cities of the different states of the United States of America, and

also in the many cities of the various provinces of the Dominion of Canada, and appoints agents who have charge of certain allotted amounts of territory.

That a prospective borrower who desires a loan is required to sign an application therefor of the Company's representative, and, in the said application, states, for the information of the plaintiff, the amount of loan which he desires, and that he has read over a copy of the loan contract and understands its terms, and is familiar therewith; and at that time pays to the said representative one-onehundredth (1-100) of the amount of the desired loan as an evidence of his earnest intention. At the same time the said representative places an application with the plaintiff for the said loan.

That the plaintiff's general agent in Oregon is A. D. Baker, whose office address is Room 723, Chamber of Commerce Building, Portland, Oregon, in which city and state he regularly resides. That when the said application is approved by the plaintiff, the plaintiff issues to said A. D. Baker an undertaking, under seal, whereby the plaintiff, in consideration of the payment of 1-100 of the amount of the desired loan each month, undertakes and agrees to pay to the said A. D. Baker the amount of the loan desired as soon as the loan fund of the plaintiff contains a sufficient amount of money to make up the said loan; that the said undertakings by their express terms are assignable, and the said A. D. Baker, upon the receipt of the said undertakings, at once assigns the same over in writing to the prospective borrower, who thereupon makes his payments to the said Baker or the plaintiff, at the option of the borrower.



That the said loan fund of the plaintiff is composed of the said monthly installments, together with repayment of the various loans made by it, as herein described; that the loans made by the plaintiff to its various borrowers are secured by mortgages upon real property in Oregon and wherever its borrowers live, and draw three per cent annual interest. That the said loans are repaid to the plaintiff by the borrowers in monthly installments of 70 cents per month on each \$100.00 borrowed, with interest at 3 per cent. That the plaintiff likewise sells the people of Oregon, and elsewhere, matured contracts, ready for loans, which loans, when made, pay to plaintiff five per cent annual interest. That the said applications for loans, as soon as received by the plaintiff, are at once given a consecutive number in the order of their receipt, and are placed in classes of one hundred, and the payments made upon the groups of contracts of one hundred are kept in individual funds, and the contract holder in each group of one hundred having the oldest date is the first to secure a loan, and thereafter the loans are made in the chronological order of the issue of the contracts. That a copy of such contract, in blank, is hereto attached and marked Exhibit "1;" that a copy of such application to said A. D. Baker is hereto attached, marked Exhibit "2," and a copy of said application from said A. D. Baker to the plaintiff is hereto attached and marked Exhibit "3," all of which are hereby referred to and made a part hereof by reference thereto.

## V.

That the home office and business affairs of the plaintiff are conducted in the City of Vancouver, Prov-

ince of British Columbia, Dominion of Canada, and the business affairs of the plaintiff are administered in accordance with the laws and regulations of the said sovereignty, and all conducted in lawful, honest and meritorious manner.

## VI.

That the plaintiff, by its agents and representatives, is offering in the State of Oregon to take applications for such loans, and to enter into contracts with borrowers for loans; that your plaintiff, by advertisement and otherwise, professes the business of taking applications for loans, and making such loans, and entering into contracts for such loans, is engaged in such business in the State of Oregon as above described; that the taking of such applications and the making of such contracts, as above set forth, are in the course of continuous and successive transactions of a similar nature, and your plaintiff is not, in taking applications and in making of such loans, acting in a trust capacity created by law.

## VII.

That the plaintiff has been engaged in said loan business since the month of October, 1912, since which time it has vigorously conducted its business; that the plaintiff has invested in said business large sums of money, and has from time to time acquired mortgages and other securities of great value, and now has outstanding a large number of said contracts of great value, of the kind described in the preceding paragraphs; that the plaintiff has likewise contracted from time to time to make such loans of the kind heretofore described.

VIII.

That, in the course of said business, the plaintiff has expended and invested large sums of money in advertising and in the establishment of its said business, and has acquired in the course of such business a valuable goodwill, and an extensive clientele; that the plaintiff has acquired valuable information as to the conduct of its business, and information as to the names and addresses of persons, firms and corporations who desire loans of the character above described; that it has acquired such valuable goodwill, information and other property, as above described, in the State of Oregon; that the plaintiff sends into the State of Oregon its agents and employees who there solicit applications for loans, as hereinbefore described, and transmit such applications to your plaintiff in Vancouver, B. C., and make such loans in the State of Oregon; that such applications are accepted by your plaintiff in Vancouver, British Columbia, and such contracts are then forwarded to such contract holders in Oregon from the offices of the plaintiff in Vancouver, British Columbia.

IX.

That the representations made by your plaintiff, and its agents and representatives, as to the contracts and applications therefor and loans, are true representations.

X.

That the plaintiff further shows that it has been, and now is, solicited by various persons, firms and corporations to secure applications for loans and loans, as pre-

viously described; that it has contracted to make such loans, and the owners of such contracts therefor have undertaken and agreed to pay the plaintiff a compensation, as previously described, for such loans.

### XI.

That your plaintiff, and those who now solicit the plaintiff for such loans in Oregon, and those with whom the plaintiff has agreements as to such loans, have been informed that such loans, the kind hereinbefore described, can not be made in Oregon, unless full compliance is made by the plaintiff with Chapter 341, General Laws of Oregon for 1913, which became effective the 3rd day of June, 1913.

### XII.

Your plaintiff further charges that said Act. No. 341 of the General Laws of Oregon of 1913, of the Legislature of the State of Oregon, is entitled: "An Act to protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a corporation department to administer this and other laws relative to the regulation and supervision of corporations, and providing penalties for the violation hereof." A copy of said Act is hereto attached and marked "Exhibit A" and made a part of this, your plaintiff's bill of complaint.

### XIII.

That said Act. No. 341 of the General Laws of Oregon of 1913 purports to establish a department in the State of Oregon, to be known as the "Corporation Department," and provides that the same shall be in charge



of the chief officer known as the Corporation Commissioner, which commissioner is by said Act given power, and upon him is imposed the duty to administer and to provide for the enforcement of the provisions of said Act; that said Act purports to define foreign and domestic investment companies, and to include in such definition every corporation, copartnership or company, other than municipal or governmental corporations, state and national banks, trust companies, building and loan associations, and corporations not organized for profit, organized under the laws of any state, territory or government, which shall by itself or by or through others sell or negotiate for the sale of any stocks, bonds or other securities issued by it within the State of Oregon. That the Oregon Corporation Commissioner, the defendant herein, R. A. Watson, as your plaintiff is informed and believes, construes the said Act to embrace within such definition of said investment company any corporation or copartnership or company which shall, by itself or through others, take an application for, contract for, or make a loan upon real property within the State of Oregon in the manner in which the plaintiff is conducting its business, as hereinbefore described, and includes therein the contracts and mortgages issued and held by this plaintiff, and holds the same are securities as defined by said Act.

#### XIV.

That the said Act, in Sec. 4 thereof, defines the name "agent" to include any person who shall act for any investment company or stock broker, in offering for sale, taking subscriptions for or negotiating for the sale,

or selling, any securities for any investment company or stock broker, either as an employee on salary or for commission, and the said Watson holds that the said A. D. Baker is such an agent.

### XV.

The said Act likewise provides that, before offering for sale, or attempting to sell, any stocks, bonds or other securities, the investment company, whether domestic or foreign, shall file with the Oregon Corporation Commissioner certain statements and documents especially provided for in Sec. 10 of the said Act, which statements and documents shall be authentic, as therein provided, and shall contain such itemized accounts of its financial condition, assets and liabilities, and such other information as to its business and affairs as is required by the said Act, and is required by the said Oregon Corporation Commissioner; and that the said Act likewise provides for the payment of certain fees to the said Oregon Corporation Commissioner, likewise to be paid before offering for sale or attempting to sell such stocks, bonds or other securities. The said Act further provides that the said Oregon Corporation Commissioner may, in his discretion, waive the filing of any of the documents or information required by said section, when the securities to be sold by the stock broker or investment company are listed in "current standard manuals of investment," or when there shall be furnished other evidence of the solvency or the reliability of the stock broker or investment company that shall be satisfactory to the said Commissioner.

## XVI.

That the said Act does further provide, in Sec. 12 thereof, that, upon the filing of said statements and documents with the said Oregon Corporation Commissioner, as provided in the preceding sections of the said Act. and upon an examination by the said Commissioner of the business affairs of the company, and upon the filing of such statements and documents, which the aforesaid Commissioner shall deem it advisable to have filed, the said Commissioner shall examine such statements and the results of such examination, and if, after such examination such Commissioner shall find that such company offering or desiring to sell such stocks, bonds or other securities is not solvent, or that the articles of incorporation, its constitution, by-laws or proposed plan of business are not safe, fair, just and equitable, the Commissioner shall not grant such a company a permit to do business, and shall notify such investment company, in writing, of his decision; or, if said Commissioner finds that such articles of incorporation or association, charter, constitution, by-laws, plan of business or proposed contract contains any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, or if he decides from his examination of its affairs that the said investment company is not solvent, or does not intend to do a fair and honest business, then he shall not grant such a company a permit to do business and shall notify such investment company, in writing, of his decision.

## XVII.

Said Act provides, and especially in Sec. 9, that it

shall be unlawful for any domestic or foreign investment company or stock broker, or any representative thereof, to sell, offer for sale, take subscriptions for, or negotiate for the sale of any stocks, bonds or other securities of any kind or character other than those specifically exempted in the provisions of the said Act, without a permit from the Corporation Commissioner, as in said Act provided.

### XVIII.

That said Act, and especially in Sec. 18 thereof, provides that every investment company, and every stock broker, domestic or foreign, shall file as of the close of business on June 30th of each year, and at such other times as required by the Corporation Commissioner, a certified statement, in such form as may be prescribed, setting forth its financial condition and the amount of its assets and liabilities, and furnish such other information as the Corporation Commissioner may require; such statement shall be accompanied by a filing fee of two dollars. Any investment company failing to file such report within fifteen days of the said date of June 30th of each year, or failing to give any other or special report, as provided, within thirty days after receipt of request, shall forfeit its rights to do business in Oregon, and shall be subject to such further penalties as provided in the said Act.

### XIX.

The said Act, and especially Sec. 19 thereof, provides that the general accounts of every investment company, domestic or foreign, doing business in Oregon, shall be kept by a certain system of bookkeeping, and a



trial balance thereof shall be taken at least once in each quarter, and such trial balance shall be recorded in a separate book kept for that purpose; that such book and all the books and accounts of such company shall at all times during business hours, except on Sundays and holidays, be open to the inspection of the Corporation Commissioner and his deputies.

## XX.

That the said Act, and especially Sec. 30 thereof, provides that the Oregon Corporation Commissioner shall have general supervision over all investment companies, domestic or foreign, all stock brokers and all corporations, joint companies and associations doing business in Oregon, and that same shall be subject to examination by the Commissioner at any time he shall deem advisable, and in the same manner as is now provided in Oregon for the examination of state banks, and the rights, powers and privileges of the Corporation Commissioner, in connection with such examination, shall be the same as is now provided in Oregon with reference to the examination of state banks, or the state banking department.

## XXI.

That the said Act, and especially Sec. 15 thereof, provides that no amendment to the charter, articles of incorporation, constitution and by-laws of any investment company for increase or decrease of its capital stock shall become effective until a copy of the same has been filed with and approved by the Corporation Commissioner as provided in regard to the original filing of

such charter, articles of incorporation, constitution and by-laws. Nor shall it be lawful for any such company to transact business on any other plan than set forth in the statement required to be filed by Sec. 10 of the said Act, set forth in Paragraph XV. of this complaint, or to make any contracts for the sale of stocks, bonds or securities other than shown by the requirements of said Sec. 10 of the said Act, until a written statement showing in full detail the proposed new plan of transacting business shall have been filed with the said Commissioner, in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Commissioner obtained in regard to such proposed new plan.

## XXII.

That the said Act, and especially Sec. 16 thereof, provides that it shall be unlawful for any investment company, stock broker or agent to issue, circulate or deliver any advertisement, pamphlet, circular or other document in regard to the stocks, bonds or securities in the State of Oregon until such company or broker shall have been licensed to sell such securities in the State of Oregon, as provided in said Act, and that it shall be unlawful for any licensed investment company or stock broker or agent to issue, circulate or deliver any such advertisement, pamphlet, circular or other document unless the same shall be signed and bear the serial number, and a copy thereof shall first have been filed with the Corporation Commissioner, and the approval of the Commissioner obtained thereto; and if thereafter the

Commissioner shall object to such advertisement then it shall also be unlawful to circulate the same.

### XXIII.

That the said Act, and especially Sec. 17 thereof, provides that any investment company or stock broker may appoint one or more agents, which agent before he can do business, must first register with the Corporation Commissioner as agent for such investment company or stock broker, and for each such registration there shall be paid to the Commissioner the sum of \$2.00, such registration entitling such agent to represent said investment company or stock broker until the first day of July following, when it shall be necessary to re-register. Such appointment shall be subject to revocation at any time by the Commissioner.

### XXIV.

That said Act, and especially Section 23 thereof, provides that any person who shall knowingly or wilfully subscribe to, or make or cause to be made any false statement or false entry in any book of any investment company, or exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such stock broker or investment company, or make or publish any false statement of the financial condition of such investment company or the stocks, bonds or other securities by it offered for sale, shall be deemed guilty of a felony, and, upon conviction thereof shall be fined not more than ten thousand dollars, or imprisonment in the state prison of the State for not more than ten years, or both such fine and imprisonment.

## XXV.

Said Act further provides in Sec. 27 thereof that the records of the Corporation Department shall be public records, and information shall be furnished to anyone affected by the corporation laws upon the application therefor, except that the Corporation Commissioner may, in his discretion, withhold information relating to the private affairs of solvent corporations when, in his judgment, the same shall be required for the public welfare.

## XXVI.

That the said Act provides, among other things, and particularly in Sec. 3 thereof, that the term "stock broker," as used in said Act, shall include every person, set of persons, association, company, co-partnership or corporation, whether organized under the laws of the State of Oregon, or any other state, territory or government, who shall deal in stocks, bonds or other securities covered by said Act, or who shall sell, offer or negotiate for sale, any stocks, bonds or securities covered by said Act, underwriting or purchasing such securities and reselling at a commission or profit; and said Act, especially in Sec. 4 thereof, provides that the name "agent" as used in said Act shall include any person who shall act for any investment company or stock broker in offering for sale, taking subscriptions for or negotiating for the sale, or selling any securities for any such company or such broker, either as employee on a salary basis or for a commission; and further provides that such sale, when made by individual owners for their own account exclusively, and not made in the course of repeated or continuing



transactions of a similar nature, shall not render the owner subject to the provisions of said Act.

## XXVII.

The said Act provides, especially in Sec. 13 thereof, that the foregoing Sections 10, 11 and 12, heretofore mentioned, shall apply to stock brokers, but that such stock brokers shall not be required to file a copy of each stock, bond or other security he shall handle, and that any person applying to the Corporation Commissioner for a permit to do business as a stock broker shall furnish evidence (to be confirmed by the Commissioner's investigation) establishing the sound moral character and good business repute of the person applying, and showing for what length of time and in what capacity he has been engaged in the sale of securities; also a statement of the names, residences and business addresses of all persons interested as principals, officers, directors and as managing or sales agents, and the nature and interest of each, also a statement of their assets and liabilities, and such other information as the Commissioner may require. The permit rendered by the Commissioner to such stock broker shall entitle such stock broker to handle such stocks, bonds and other securities in Oregon as are not objected to by the Corporation Commissioner, providing, that such stock brokers shall file on the first day of each month a list of the stocks, bonds and other securities on hand for sale and handled by him during the preceding month. Said Act further provides that said Commissioner may prohibit said stock broker from handling any of such issues at any time, or to cancel said broker's permit whenever he shall decide that said broker

is not handling such securities as he deems good, legitimate investment.

## XXVIII.

Said Act further provides, that it shall be unlawful for any person to sell any securities specified in the Act unless the corporation, association, co-partnership, firm, person, agent or broker offering same for sale shall have complied with the Act, or unless such securities have been listed with the Commissioner; that it shall be unlawful to sell same after any dealer or investment company shall have received a notice not to sell such securities, and that any person violating any of the provisions of this section shall be deemed guilty of a felony, and, upon conviction thereof, shall be fined for each offence not more than ten thousand dollars or imprisonment in the State prison.

## XXIX.

The said Act further provides, and especially in Section 14 thereof, that an appeal may be taken from the decision of the Corporation Commissioner refusing to grant a charter or certificate of authority to any stock broker or investment company, to the Circuit Court of the State of Oregon, for Marion County. Such appeal shall be taken by filing with the Clerk of said Court a certified transcript of all papers in the Commissioner's hands relative to such decision. The said Court shall be limited to a consideration of whether there has been an abuse of discretion on the part of the Commissioner in making such decision. Such appeal shall be tried and determined by the Court in a summary way, but other-

wise as a suit in equity. The said Act provides no other method at all of appeal from the findings of such Commissioner.

### XXX.

The said Act provides, especially in Sec. 21 thereof, that whenever it shall appear to the said Commissioner that the assets of any investment company or stock broker doing business in Oregon, are impaired to the extent that such assets do not equal the liabilities, or that it is conducting its business in an unsafe, inequitable or unauthorized manner, and is jeopardizing the interests of its stockholders or investors in stocks, bonds or other securities by it offered for sale; or whenever any investment company or stock broker shall fail or refuse to file papers, statements or documents required by said agent, without giving satisfactory reasons therefor, said Commissioner shall at once cancel its permit, and, if he shall deem it advisable, shall communicate such facts to the Attorney General, who shall thereupon make an investigation and, if the facts presented to him by said Commissioner are substantiated, shall apply to a court for the appointment of a receiver to take charge of and wind up the business and affairs of such investment company or stock broker, and such facts found true shall be sufficient evidence to authorize the appointment of a receiver and the foregoing procedure.

### XXXI.

It is provided in said Act, and especially in Sec. 22 thereof, that it shall be unlawful for any investment company to issue, sell or distribute any stocks, bonds or

other securities on any other conditions than those set forth in its application without the approval of the Corporation Commissioner, and it shall be unlawful for any investment company to pay any dividends in stocks, bonds or other securities without the approval of the said Commissioner.

### XXXII.

That the said Corporation Commissioner has addressed many public meetings in the State of Oregon, and has declared and written to the public his intentions to enforce the provisions of said Act, and his intention to prevent any sale or offer for sale in Oregon of securities covered and regulated by said Act, and as to which the issuer thereof or the seller thereof has not in all respects complied with said Act, and declared his intention to enforce the penalties in said Act set forth for any violation thereof, and has caused the arrest, upon warrant for an arrest of the said A. D. Baker, General Representative, and George E. Stillings, President of The National Mercantile Company, Limited, plaintiff herein, and C. H. Hune and O. Sundberg, Local Representatives of the plaintiff in Lane County, Oregon, all of which said arrests were made in the State of Oregon upon the complaint of the said Corporation Commissioner, R. A. Watson, and prosecuted to arrest by the District Attorneys in the respective counties in which the said arrests were made, all of which said arrests were made for soliciting applications for loans from the plaintiff in the manner herein previously set forth, and in violation of the terms of the said Act, being Chapter 341, General Laws of Oregon for 1913.



XXXIII.

That said defendant, R. A. Watson, has caused to be issued a number of copies of a bulletin, a copy of which said bulletin is hereto attached, marked Exhibit "B," and made a part hereof by reference thereto, in which said bulletin is set forth the names of the investment companies or corporations to which permits have been issued, and on which statement as appears there is not listed the plaintiff.

XXXIV.

That said defendant, R. A. Watson, has prepared for use a Preliminary Report, Sheet 1, and Preliminary Report, Sheet 2, copies of which said reports are hereto attached, marked Exhibits "C" and "D," and made a part hereof by reference thereto, in which bulletins he sets forth the requirements and provisions in said Act provided, as interpreted by the said Corporation Commissioner; that said blank forms are the blanks which said investment companies are required to fill and subscribe, and which plaintiff herein is required to fill and subscribe in order that it may secure a permit to do business in the State of Oregon from the said Corporation Commissioner on his approval.

XXXV.

That said defendant, R. A. Watson, has prepared for use application blanks and report blanks, a copy of which are hereto attached, marked Exhibits "E" and "F," respectively, and made a part hereto by reference thereto, in which are set forth the requirements of reports in said Act provided, as interpreted by the said



Commissioner; that such blank forms are the blanks which said brokers are required to make in order that, upon the defendant Watson's approval, they may carry on their business as in said Act provided.

### XXXVI.

That said preliminary reports, Exhibits C and D, require that said investment companies furnish information which is unreasonable and not pertinent to the purposes for which said statement is required under the said Act, and substantially impossible to furnish.

(a) Said blank requires a statement of the consideration received for the stocks and bonds; whereas, as to the unissued preferred stocks and bonds of investment companies no consideration has yet been paid.

(b) It requires a true and complete list to be attached of the holders of the securities of the company, indicating the consideration which was given for the same; whereas, such list is constantly changing, and can not be truly and completely made, and many of the securities of an investment company are in the hands of persons and corporations without the knowledge of the investment company or broker.

(c) It requires a profit and loss statement, which is not in conformity with its books, and which can not be made in the manner required in the blank from the books of said company.

(d) It requires a true and correct statement of the receipts and disbursements for the past six or twelve months; whereas, such a statement would be cumbersome in the extreme, would convey no information to

said defendant pertinent to said purposes expressed in said Act.

(e) It requires a showing in full detail of the plan upon which the company is doing and intends to do business, and the purpose for which said securities are sold, and requires that there be made to the Corporation Commissioner the plan which the company has accepted for the sale of its stock.

(f) It requires that there be furnished, as an exhibit to said statement, true copies of all contracts, bonds or other securities it desires to sell or make with its contributors, together with a true copy of its subscription blank, and all other blanks used in connection therewith; whereas, in fact, said forms, contracts and bonds and other securities are constantly changing, and differing and varying contracts are sought to be made with its contributors.

(g) It requires copies of all literature for advertising matter used, or to be used, by such investment company, when in truth and in fact such literature or advertising matter is constantly changing, and it is not pertinent to the purposes of the Act that same should be exhibited to or made known to the Corporation Commissioner.

(h) It requires a list of the officers of said investment companies, together with their holdings of stocks and bonds, the actual cash invested in the company, their salaries per year, the estimated net worth of the officers and their time devoted to the company; whereas, the number of shares and bonds owned is a matter con-

fidential to said officers, which said company has no right to divulge, nor has said company accurate information with reference thereto, nor has the said company any way in which to determine the cash invested by said officers in said company, nor the estimated worth of said officers, and such information is not pertinent to the purposes of the Act, and beyond the power of the Corporation Commissioner to require.

(i) It requires that the investment company shall designate the prices and terms upon which its stocks, securities and bonds will be sold, and that the same shall not be sold at any other price or terms without the consent of the Commissioner; whereas, the prices and terms of sale of such securities are constantly changing, and all such information is not pertinent to the purposes of said Act, and beyond the power of the Commissioner to require.

(j) It requires a complete copy of each contract made, or which will be made, with any person, officer or agent, or other representative of such investment company, for the sale of its stocks, and a statement that there are no agreements, understandings or contracts, either verbal, written or implied, by which anyone has received, or is to receive, any cash, lands, securities or other compensation for the sale of its securities for its promotion, or for any causes except as specified in the application, and in the general exhibits attached, and that all the stock securities of the investment company will be sold or disposed of for cash, or its equivalent, as provided in the contracts or agreements stated in said application; whereas, the contracts made, or which will

be made, with the persons, officers, agents and representatives for the sale of its stocks are from time to time necessarily changing, and agreements are, of necessity, made by which parties may receive stock for promotion purposes other than as specified in the application, or for other purposes, and no such information is pertinent to the purposes of said Act, and beyond the power of the Corporation Commissioner to require.

### XXXVII.

That by reason of the requirements of said Corporation Commissioner as to said statements which must be filed by said investment company before it can sell, or offer for sale, securities of said investment company in the State of Oregon, either by itself or through its representatives and agents, and before plaintiff herein can deliver any such securities, a property right of this plaintiff is invaded and destroyed, and its freedom to contract curtailed, impaired and destroyed, and it otherwise seriously damages the plaintiff in its business and property.

### XXXVIII.

That the said defendant, R. A. Watson, Corporation Commissioner of Oregon, has likewise caused to be issued the so-called "Application of Stock Broker," a copy of which is hereto attached, marked Exhibit "E" and made a part hereof by reference thereto, and publicly declared that all dealers, (including agents and representatives of the plaintiff), in securities of investment companies must file such application, properly filled out before selling or offering for sale such securi-



ties in Oregon, or professing to engage or engaging in said business therein; that said blank requires that the agents and representatives of the plaintiff furnish information which is unreasonable and not pertinent to the purposes for which said statement is required.

(a) Said blank requires a detailed list of securities now held by such broker; whereas, such information is not pertinent and does not relate to the purpose for which the statement is required.

### XXXIX.

That by reason of the enforcement of said law and requirements of the defendant, R. A. Watson, and requirements of said statements so to be filed, the plaintiff can not sell, or offer for sale within the State of Oregon, or take applications therefor, its contracts to make loans, nor can it fulfill the contracts to which it is now a party, and which have previously been placed in the State of Oregon, and the owners of the plaintiff's contracts are deprived of the right to assign the same over to others and to demand their fulfillment of the plaintiff.

### XL.

That by reason of the heavy penalties in said Act set forth, the plaintiff and its agents and representatives in Oregon fear to take applications for such loans, in the manner hereinbefore set out, in Oregon, and the plaintiff is deprived of the right to conduct its business in the State of Oregon; that the right to take such applications for loans and enter into contracts therefor, in the manner hereinbefore set out, is a valuable right to the plaintiff, and of all other similar companies; that



to deny said companies the right to thus carry on their business in Oregon endangers their business, and threatens to cause said companies, and this plaintiff, serious damage and loss.

## XLI.

That the present holders of the plaintiff's contracts acquired the same with a right to assign the same in Oregon and elsewhere, and free from any restrictions such as are imposed by said act, and such restrictions impair the said right, and damage the said owners and your plaintiff.

## XLII.

The plaintiff charges that said Act, Chapter 341 General Laws of Oregon, 1913, is unconstitutional and void, and of no effect whatsoever, for the following reasons:

A. Said Act is in violation of Sec. 20 of Art. 4 of the Constitution of the State of Oregon, to-wit:

“Every Act shall embrace but one subject and matters properly connected therewith, which subject shall be expressed in the title; but if any subject shall be embraced in an Act which shall not be expressed in the title such shall be void only as to so much thereof as shall not be expressed in the title.”

The said Act embraces more than one subject, to-wit: It proposes to

(a) Regulate and supervise stock brokers and the business conducted by them;

(b) Regulate and supervise investment companies;

(c) Regulate and supervise the agents of the brokers and their business. It regulates and supervises the kind and nature of securities in which purchasers may invest. It purports to protect purchasers of stocks and bonds;

(d) It purports to define fraud, in the sale of stocks and bonds;

(e) It purports to create a Corporation Department.

The title of the Act does not express the full subject of the Act, inasmuch as the substance of the Act purports to define stock brokers and regulate their business, and the title to the Act does not mention stock brokers or their business; and,

The title to said Act does not express the regulation and supervision of the purchase and sale by individuals, corporations, or partnerships of securities of any kind or character.

B. The said Act is in violation of the Fourteenth Amendment of the Federal Constitution, which provides that no State shall make or enforce any laws which shall abridge the privileges and immunities of the citizens of the United States, nor shall any State deprive any person of life, liberty or property without due process of law, nor deny any person equal protection of the law in this:

(1) Since said Act is applicable, by the terms thereof to co-partnerships, but is not applicable to individuals not co-partners.

(2) Since said Act, by its terms, is applicable to state and national banks, but is not applicable to banks other than state or national.

(3) Since said Act, by its terms, is not made applicable to building and loan associations, but is applicable to other corporations incorporated to own, improve and deal in real property.

(4) Since said Act, by its terms, is not applicable to mortgages upon real property situated within this State, where the entire mortgage is sold and transferred with the note secured by the mortgage, but is not applicable to mortgages upon real property situated within this State if the said mortgage secures bonds, or the entire mortgage is sold with all said bonds.

(5) Since said Act, by its terms, is applicable to stocks, bonds and other securities, but is not applicable to commercial paper or other evidence of indebtedness.

(6) Since the said Act, by its terms, is made applicable to the stocks of any of said investment companies, as defined in said Act, when the stocks are sold by said investment companies or by their agents, but is not made applicable to the stocks of said investment companies when the same are issued to original subscribers thereto.

(7) Since the said Act, by its terms, is made applicable to the stocks of investment companies, as defined in said Act, when the said stocks are sold by said companies, or by agents thereof, but is not made applicable to their stockholders upon the declaration of stock dividends, so-called.

(8) Since said Act is made applicable to investment companies, as defined in said Act, when said investment companies sell, or offer for sale, an entire issue of its said bonds, stocks or other securities, when such sale or offer for sale is not made in the course of continuous and successive transactions that are of a similar nature; but said Act is not made applicable to the sale of such stocks, bonds, or other securities by the owner thereof when he sells such securities owned by him when such sale is not made in the course of continuous and successive transactions of a similar nature.

(9) Since said Act is made applicable to anyone who sells for a compensation or on commission, but is not made applicable to anyone who does not sell for a compensation or commission.

(10) Since said Act is applicable to co-partnerships and individuals acting as stock brokers or companies, but is not applicable to individuals or co-partnerships acting as private banks or bankers; and, by the express terms of said Act any individual or co-partnership acting as a private bank or a private banker is exempt from the terms and provisions of said Act.

(11) Since said Act, by its terms, is applicable to stocks, bonds and securities when in the hands of individuals or co-partnerships, or investment companies such as the plaintiff, but is not applicable to such stocks, bonds or securities when in the hands of banks, state, national or private.

(12) Since said Act is applicable to the stock of any said investment company, as defined in said Act,



when said stock, bonds or securities are so owned by another investment company, stock broker or agent, but is not applicable to the stock of such investment company when the same is issued to an original subscriber.

(13) Since said Act is made applicable to investment companies, stock brokers and individuals therein defined dealing in stocks, bonds and securities, but is not applicable to one who in a judicial sale or as an administrator or executor or trustee sells and offers for sale such bonds, stocks or securities.

C. That said Act is unconstitutional and void since it is in violation of Sec. 8 of Art. 1 of the Constitution of the United States, and of the Fourteenth Amendment of said Constitution of the United States, in that said Act imposes a burden upon interstate commerce in the following particulars:

(1) Said Act forbids the sale, or attempt to sell, of any bonds, stocks or other securities of any investment company, as defined in said Act, until the company shall have filed with the Oregon Corporation Commissioner the statement and information required by said Act, and shall have otherwise conformed to said Act, and secured from said Corporation Commissioner the permit therein required.

(2) Since the said Act prohibits the sale of stocks, bonds and other securities of said investment companies in the State of Oregon unless said investment companies shall in all respects conform to the requirements of said Act.

(3) Said Act forbids the sale, or offer for sale, of



the stocks, bonds and other securities of said investment companies, as defined in the Act, until such investment companies, though they be co-partnerships organized under the laws of another state or country, and not organized under the laws of the State of Oregon, shall have filed with the said Oregon Corporation Commissioner the report and information required by said agent and by said Commissioner, paid the fees in such Act prescribed and otherwise conformed thereto.

(4) Said Act compels any person, firm, co-partnership, corporation or association not a resident of the State of Oregon, who shall there sell, or offer for sale, any securities of any investment company covered by said Act, or who shall, by advertisement or otherwise, profess or engage in the business of selling or offering for sale such securities, to make report to said Corporation Commissioner and pay certain fees. It forbids such persons, firms, corporations, co-partnerships or associations, under heavy penalties, from selling securities until they shall have in all respects complied with the said law. It also forbids such sale, or offer for sale, within the State of Oregon, whether the same be interstate or intrastate commerce.

(5) Said Act prohibits any company, stock broker or agent to issue, circulate or deliver any advertisement, pamphlet, circular or other document in regard to any stock, bonds or other securities in the State of Oregon until after such investment company or stock broker shall have been licensed to sell such securities in the State of Oregon, and until such company, stock broker or agent shall have submitted such advertisement,

pamphlet, circular or other document to the Corporation Commissioner and have secured his approval thereof.

In this respect, your petitioner charges that stocks, bonds and other securities issued by said investment companies, and especially the applications for loans and contracts for loans, and mortgages upon real property handled by the plaintiff, are legitimate articles of commerce, and that dealing therein is interstate commerce, and not subject to regulation by the State of Oregon in any way whatsoever, and that the sale thereof by said investment companies and the taking of such applications and the making of such contracts and the making of such loans by the plaintiff to residents of the State of Oregon, and to be consummated in the State of Oregon, and payment therefor to be made in other states and countries is interstate commerce, and the burdens and restrictions imposed upon such transactions are burdens upon interstate commerce, and render such Act unconstitutional and void.

D. That the said Act is likewise unconstitutional and void, and in violation of the Fourteenth Amendment of the Constitution of the United States, since by its said provisions and regulations it deprives any such investment company and other persons similarly situated of its property without due process of law, and denies said investment companies and other persons similarly situated the equal protections of the laws, and denies to said investment companies, and others, freedom to contract guaranteed by said Constitution.

(1) In that said Act denies the right to any investment company, defined in the said Act, of doing business, or selling or disposing of its stocks, bonds or other securities, unless said investment company is solvent, irrespective of the price at which said securities should be sold or the value thereof.

(2) That it denies to any investment company, as herein defined, the right to sell, and to any person the right to purchase of any such investment company, any of its stocks, bonds or other securities, if the Corporation Commissioner at any time should decide that such stocks, bonds or securities are not good, legitimate investments; and denies to any investment company, as herein defined, the right to sell and to any person the right to purchase of any such investment company any of its stocks, bonds or other securities, if the Corporation Commissioner finds that the Articles of incorporation or association, charter, constitution, by-laws, plan of business or proposed contract of such investment company contains any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, or if he decides that such investment company is not solvent or does not intend to do a fair and honest business.

E. That said Act is likewise unconstitutional and void, and in violation of Section 10 of Article 1 of the Constitution of the State of Oregon, and of the Fourteenth Amendment to the Constitution of the United States, since it does deprive the plaintiff, and other persons similarly situated, of their property without due

process of law, inasmuch as the provisions and conditions prescribed by the Act are not within any power of the State of Oregon to impose, and are not within the police power of the State in this respect:

(1) That the provisions and conditions imposed by said Act are not necessary to protect the health, safety, morals and essential welfare of the people of the State of Oregon.

(2) That such conditions and provisions as are imposed by said Act are not reasonable to protect the health, safety, morals and essential welfare of said people of the State of Oregon, since such provisions and regulations are imposed upon the business of selling securities of every kind as are described in said Act, and will seriously impair business and commerce, and seriously interfere with business and commerce of every kind whatsoever, by preventing the free purchase of said securities and the free investment in the stocks and bonds and securities covered by the Act.

(3) In that said Act regulates and restricts the rights of stock brokers, in that it provides that no stock broker shall sell or offer for sale any stocks, bonds or other securities listed by and belonging to investment companies unless the stock broker shall fully comply with the terms of said Act.

F. That said Act is likewise unconstitutional and void, and violation of Section 20, Article 1 of the Constitution of the State of Oregon, and the Fourteenth Amendment of the Constitution of the United States.



(1) Since it purports to regulate and restrict the rights of the corporations, co-partnerships, associations, persons and firms who by said Act are defined as stock brokers, and the plaintiff and its representatives in Oregon, and all such brokers, and provides that the said brokers shall not sell, nor offer for sale any securities, nor profess the business of selling or offer for sale any securities covered by the Act, unless such stock broker shall have otherwise complied with the requirements of said Act; that, insofar as the said Act attempts to classify and define said stock brokers in said securities, it is unconstitutional and void, inasmuch as it denies to said stock broker, as therein defined, the equal protection of the law, and in defining and classing those who sell or offer for sale any of the stocks, bonds or other securities issued by investment companies, as defined by the Act, said classification is unreasonable, invalid and void.

(2) Since said Act purports to prohibit plaintiff and others similarly situated from selling or offering for sale any stocks, bonds or other securities covered by said Act, unless plaintiff shall furnish the said corporation commissioner with a statement as to their names, addresses, the general character of the securities to be dealt in, the place of their office in Oregon, and shall furnish evidence establishing the sound moral character and good business repute of the person so applying, and for what length of time and in what capacities he has been engaged in the sale of securities, also a statement of the assets and liabilities of all persons interested as principals, officers, directors and managing or sales agents of such stock broker and such additional



information as the Commissioner may deem necessary.

G. Said Act is likewise unconstitutional and void, and in violation of the Constitution of the State of Oregon and of the Constitution of the United States in that the powers and duties conferred upon the said Oregon Corporation Commissioner include the delegation of legislative power to said Commissioner. Said Act confers upon said Commissioner the power to determine whether such investment company is solvent, and whether its articles of incorporation or association, its constitution and by-laws, its proposed plan of business and proposed contracts contain and provide for a safe, fair, just and equitable plan for the transaction of business, and to determine whether such articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, and to determine whether the said investment company intends to do a fair and honest business.

That the said Act in no respect determines the standard of what is or is not a safe, fair, just and equitable plan of business and contract, and what is a solvent investment company, and what is an unsafe, unfair, unjust or inequitable plan of business or proposed contract, and what plan of business or proposed contract is oppressive to any class of contributors or customers, and by what standard the said Commissioner shall determine what investment companies are solvent and do not intend to do a fair and honest business.

That said Act confers upon the Corporation Commissioner the power to determine as to whether or not the stocks, bonds or other securities proposed to be sold and purchased by stock brokers and investment companies, as defined in said Act, are a good and legitimate investment.

That said Act in no respect defines the standard of what is or what is not a good, legitimate investment, and in no respect defines what would be the nature and character of securities which would be a good, legitimate investment.

Insofar as said Act does not define the standard by which said plan of business and securities are in this respect to be adjusted, it is a delegation of legislative power, and therefore void.

H. That said act is likewise unconstitutional and void, and in violation of Section 21 of Article I of the Constitution of the State of Oregon.

(1) In that when a state issues a charter or a certificate of incorporation, the same constitutes a contract between the corporation and the state, and between the stockholders of the corporation and the state. Such a contract cannot be impaired or altered without the consent of the stockholders of the corporation, unless the power and authority to do so is reserved in the charter or in the constitution or general laws of the state. Especially is this true in regard to corporations created and organized since 1906 in the State of Oregon.

(2) Said Act purports to apply to corporations organized both before and after said Act was passed,

but contains no provision for creation or organization of the corporations organized now as well as those organized before the Act, or grants full corporate powers in accordance with their respective articles of incorporation. The same are accepted, and the corporation is fully organized before the said Act becomes applicable. The law then attempts to vest the Corporation Commissioner with authority to compel the corporation to adopt a plan of business in accordance with his views on what is proper, safe and equitable in the exercise of its corporate powers and business; if such compliance is not made, the said corporation cannot do business in the State of Oregon.

I. That the said Act is likewise unconstitutional and void, and in violation of the Constitution of the United States and of the State of Oregon, inasmuch as it confers upon the said Oregon Corporation Commissioner the authority and power to determine what is good, legitimate investments, and confers upon the said Oregon Corporation Commissioner the authority and power to determine when an investment company is solvent, and when its articles of incorporation or association or constitution and by-laws, its proposed plan of business and proposed contract contain and provide for a safe, fair, just and equitable plan for the transaction of business, and also when the articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, and also when such company is not solvent, and does not intend to

do a fair and honest business. That thereby it confers upon said Commissioner judicial authority; that said Commissioner is not a judicial body within the provisions of the Constitution of the State of Oregon and of the United States, and the delegation thereto of judicial power to determine the questions as above set forth is in violation of said Constitution, and the said Act, therefore, is void.

J. That the said Act is likewise unconstitutional and void, and in violation of the Fourteenth Amendment of the Constitution of the United States, and Sec. 18, Art. 1 of the Constitution of the State of Oregon, in that it denies to the plaintiff, and to other companies similarly situated, a partnership made by the terms, subject thereto and hereto, a judicial investigation, by due process of law, of the facts as to whether the securities mentioned in the Act handled by stock brokers are good, legitimate investments, and as to whether such companies as the Act terms investment companies are solvent, and as to whether the articles of incorporation, constitution and by-laws of such companies, their proposed plan of business and proposed contracts contain and provide for a safe, fair, just and equitable plan for the transaction of business, and as to whether such articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, and as to whether such investment company is solvent and intends to do a fair and honest business.

That said Act is likewise unconstitutional and void



in that it denies the due process of law guaranteed by the Constitution of the United States to plaintiff herein, and to all others similarly situated, in that the determination of the said Commissioner upon the matters just previously stated are not subject to review by judicial process, or upon appeal from such finding and decision of the Commissioner, except that the said Act provides, in Sec. 14 thereof, that an appeal may be taken from the decision of the said Commissioner refusing to grant a charter or certificate of authority to any stock broker or investment company to the Circuit Court of the State of Oregon for Marion County, and that such appeal shall be limited to a consideration of whether there has been an abuse of discretion on the part of the Commissioner in making such decision, and such appeal shall be tried and determined by the Court in a summary way, but otherwise as a suit in equity.

And the said Act, in effect, provides that the Commissioner shall conclusively determine the questions of fact which shall be submitted to him in the course of investigation of the said plan of business of said investment companies, or of their securities, and said Act does not provide for an appeal for judicial review with respect to said questions in any manner whatsoever, except as to abuse of discretion on the part of the said Commissioner.

K. That said Act is likewise unconstitutional and void, and in violation of the Fourteenth Amendment of the Constitution of the United States, in that it deprives said investment companies, your plaintiff, and others



similarly situated, of liberty and property without due process of law, and denies to plaintiff, and others, equal protection of the law, since said Act provides that said defendants and the Oregon Corporation Commissioner, his clerks, accountants and examiners, may examine the business of said investment companies and brokers and their accounts, may require them to divulge any and all facts in connection with their business, and whether or not the same relates in any way to the securities proposed to be sold in Oregon.

The said defendants have announced what facts and information in connection with said businesses the said Commissioner would require in the preliminary statement upon which the securities of such investment companies will or will not be listed by the said Commissioner; and that said Act does further provide that all such information obtained by said Commissioner, and all the records of the Commissioner in regard thereto shall be open to examination of the public.

And the plaintiff shows that the information as to the said businesses of said investment companies, its contracts with its employees and with others, its knowledge as to methods by which it transacts its affairs, its knowledge as to credits of its customers, its general information as to the condition of its business, the prices and costs of carrying on its business, each and all are property rights of value to said investment company, and the publication of information thereto, as to said investment company's business deprives it of valuable property rights, seriously damages it in its business, and will otherwise cause it damage and loss.

L. That said Act is likewise unconstitutional and void, in that it subjects plaintiff herein, and others similarly situated, to cruel, unusual and vindictive punishment, in violation of Sec. 15 of Art. 1 of the Constitution of the State of Oregon, in that it prescribes a penalty for the sale or offer for sale of any stocks, bonds or other securities of investment companies unless said companies shall comply with the restrictions of the Act, and unless plaintiff shall have registered with the Corporation Commissioner as prescribed and provided, and provides that the said violation of the Act in that respect shall be a felony, and any person who has so violated said Act shall, upon conviction thereof, be fined not more than Ten Thousand Dollars, or imprisonment in the State prison for not more than ten years, or both, and any intention to defraud any purchaser of stocks, bonds or other securities, or any intention to wilfully violate said Act is not required to make said violation a felony.

That any person who shall knowingly and wilfully make or cause to be made any false statement or false entries in the books of the company shall likewise be guilty of a felony; and any person who shall exhibit any false papers with the intention of or for the purpose of deceiving any person authorized to investigate said investment company's affairs, or who shall make any false statements relative to securities of the same, shall likewise be guilty of felony, and, upon conviction thereof, shall be fined not more than Ten Thousand Dollars or imprisonment in the State prison for not more than ten years, or both.

M. That said Act is likewise unconstitutional and void, since it prescribes extraordinary, unusual and vindictive punishment and penalties for a violation thereof, and provides penalty of fine and imprisonment in the State prison for the sale, or mere offer for sale of any of the securities covered by said Act, and provides other penalties, fines and imprisonment, all of which are so extreme and cumulative that they prevent any person, firm or corporation, as described in said Act, or a stock broker or agent as therein described, from challenging the validity of the provisions of said Act, rather than to take the chance of the penalty imposed; that, therefore, said Act, in that respect, deprives said investment companies, as your plaintiff, and others similarly situated, of the equal protection of the law guaranteed to it by the Constitution of the United States.

### XLIII.

Plaintiff alleges that it is its desire and right to offer said securities in the State of Oregon, and to make application for loans, and issue such contracts therefor as have been herein previously described, by itself and through its agents and brokers, and that it is the avowed purpose of the defendants herein to prevent the plaintiff from thus conducting its business, unless the plaintiff and other corporations, individuals and others similarly situated shall have complied in all respects with the terms of said Act and the terms of the defendant Watson.

### XLIV.

That immediate and irreparable injury will be

caused to the plaintiff by reason of the enforcement of said Act, and particularly by reason of the fact that the plaintiff, its agents, employees and brokers will be prevented by said Act from transacting their said business, from selling said securities in Oregon, from taking applications for such loans, and from making and entering into such contracts and making such loans except in compliance with said Act and meeting with the terms of the defendant Watson.

#### XLV.

That to prevent the immediate and irreparable injury and the continuing wrong which will necessarily arise by the enforcement of said Act, and as to the requirements as to such enforcement made by said defendants and the Oregon Corporation Commissioner, and to prevent a multiplicity of suits against said investment companies and this plaintiff, and to prevent a further criminal prosecution by the said agents and officers of the defendants, which have been hereinbefore previously described, of the plaintiff, its agents, employees and stock brokers in the securities, contracts and applications filled in by the plaintiff; and to prevent further prosecution, under said Act and the imposition of the heavy penalties described by the Act; and to prevent an immediate and irreparable injury which will be caused to the plaintiff by reason of the fact that they are prevented from taking applications for loans, entering into contracts for loans, and intending borrowers from making such applications and entering into such contracts, and to prevent the immediate and irreparable injury to the plaintiff and to such intending borrowers,



a writ of injunction is necessary to restrain the defendants from interfering with the plaintiff and other persons similarly situated, and agents and employees of the plaintiff, and stock brokers dealing in the plaintiff's securities, and any and all persons owners of such contracts who may desire to dispose of the same in a manner not permitted by said Act.

#### XLVI.

That the value of the matters here in dispute, the loss of which the plaintiff is sustaining and will sustain by the enforcement of said Act, and the damage to plaintiff's business, as hereinbefore set out, will be greatly to exceed the sum of Three Thousand (\$3000.00) Dollars.

#### XLVII.

That all the matters and things herein contained are contrary to equity and good conscience, and tend to the manifest injury and oppression of the plaintiff and its agents; and, inasmuch as the plaintiff and its agents, and others similarly situated in the State of Oregon, and each of them, have no adequate remedy in the premises by the strict rules of the common law, and can obtain relief only in a court of equity where matters and things of the kind and character hereinbefore stated are properly cognizable and relievable; and to the end that they, and each of them, may have suitable and adequate relief, which plaintiff can obtain only in a court of equity, and by reason of the federal issues involved relative to the civil rights of the plaintiff, guaranteed to it under the Constitution of the United States, re-



straining it and its agents of their liberty and taking its property and the property of its agents without due process of law, and impairing the obligation of said contracts, and the contracts of its agents, and interfering with interstate commerce; and to the end, therefore, that these defendants, and each of them, may, if they can, show why the plaintiff should not have the relief herein and hereby prayed for, and may have full, true, direct and perfect answer made to all and singular the matters herein set forth, as if particularly interrogated thereunder, but not under oath, their oaths to such answer or answers being hereby expressly waived, the plaintiff prays as follows:

1. To the end that said Act No. 341 of General Laws of Oregon, 1913, of the Legislature of Oregon, may be decreed to be unconstitutional and void and of no effect whatsoever.

2. And to the end that the plaintiff and its agents, employees, brokers and dealers in its said applications for loans, contracts for loans and mortgages, as herein-before described, may be decreed to have the right to take such applications, make such contracts and make such mortgage loans, and sell the same without compliance in any way whatsoever with the regulations and restrictions of said Act set forth.

3. And your plaintiff, and its agents and employees and those who make such applications to it, and enter into such contracts with it, and make such mortgages to it, and those others who may deal in its said contracts and mortgages may be secured against unlawful and illegal trespasses and arrests by reason of any

alleged violation of said Act, and that the said R. A. Watson, the said Corporation Commissioner, his agents and employees of said Corporation Department may be perpetually and forever restrained by the order and injunction of this Court from

(a) Enforcing and attempting to enforce any provisions of the said Act No. 341 of the General Laws of Oregon 1913;

(b) From hindering in any way whatsoever the taking of applications for loans, making of contracts for loans, or taking of mortgages, and in the manner in which plaintiff conducts its business, whether such applications be taken by the plaintiff or by its agents or employees, and whether such contracts and mortgages be handled by the plaintiff or by its employees.

(c) From beginning any action of any nature whatsoever against the plaintiff, its agents and employees, or against any other person to prevent or hinder in any way the conduct of the business of the plaintiff, as before described.

(d) From publishing any information as to the plaintiff, the applications for loans and contracts so dealt in by the plaintiff.

(e) From arresting or causing the arrest of the plaintiff or any agent or employee of the plaintiff, or any person who may within the State of Oregon take such applications for loans, entering into contract for them, or make to the plaintiff a mortgage as security for such loan, or assign such application or mortgage; and that the said defendants, and each and all of them,

may, in the meantime, be restrained during the pendency of this suit, and that the plaintiff have such other and further relief as may be agreeable to equity and good conscience.

And may it please this Court to grant unto the plaintiff not only a writ of injunction, conformable to the prayers of this bill, to be issued to the above named defendants, but also a writ of subpoena to be issued out of and under the seal of this Honorable Court, to be directed to said defendants, commanding that at a certain time, and under a certain penalty, to be therein specified, to be and appear before this Honorable Court, then and there to answer the premises, but not under oath, answering under oath being expressly waived, and to abide by the order and decree of the Court herein, and that said defendants may appear herein according to law.

THE NATIONAL MERCANTILE CO., LTD.

George E. Stillings,

(Seal of National)

President.

(Mercantile Co. )

WILSON, NEAL & ROSSMAN,

Solicitors for Plaintiff.

**Exhibit 1.**

SPECIMEN COPY

INCORPORATED IN THE DOMINION OF  
CANADA, UNDER THE LAWS OF THE  
PROVINCE OF BRITISH COLUMBIA  
CANADA

No. R R

Issue 1

Series R N

THE NATIONAL MERCANTILE COMPANY  
LIMITED

Home Office, Winch Building

MUTUAL

Vancouver, B. C.

PLAN

"A NATIONAL LOAN, SAVINGS AND IN-  
VESTMENT SOCIETY"

*Subject to "Trust Companies Regulation Act" Requir-  
ing Quarterly Reports to Be Made to the Gov-  
ernment by Chartered Accountants*

THREE PER CENT LOAN AND HOME PUR-  
CHASING CONTRACT.

This Contract is One of a Series of Like Contracts,  
Embracing All the Contracts of This Series and  
All of the Contracts Previously Written or  
Underwritten Herein, and Described by  
Same Issue and Series, Number Above.

Face Value \$1500.00

IN CONSIDERATION of  
the written and printed application for this 3% LOAN  
AND HOME PURCHASING CONTRACT,  
hereby made a part of this contract and in considera-  
tion of the initial payment of \$15.00 and further pay-  
ment thereafter of a monthly instalment of \$15.00 on  
or before the fifteenth day of each succeeding month,  
THE NATIONAL MERCANTILE COMPANY,  
LIMITED

issues this Contract to JOHN DOE, Esq., 1000 Gran-  
ville Street, Vancouver, B. C., Canada.....  
.....  
and to his or her legal heirs or assigns, upon the follow-



ing Terms and Conditions, and subject to the Benefits, Provisions and Requirements printed on the back hereof, which are hereby referred to and made a part of this Contract as fully as if recited here.

IT IS HEREBY AGREED, that the prompt payment of the monthly instalments as herein provided for five consecutive months shall render the holder hereof eligible to receive a Loan, or Funds with which to make an Investment or to purchase a home in the sum of the "Face Value" of this Contract in the order of his application therefor out of the Loan and Reserve Fund of the particular series to which this Contract belongs, such Loan to be granted or Funds supplied when accumulated therefor in accordance with the Provisions hereof, and if accumulated prior to Ten per cent. (10 per cent.) of the "Face Value" of the Contract having been paid hereon in monthly instalments, the holder is entitled, at his or her election, to advance the difference required to make up the amount of ten per cent. (10 per cent.) aforesaid, and as required and provided for in paragraph two (2) under Terms and Conditions under which the Loan and Reserve Funds are loaned.

ISSUED at the Home Office of  
the Company, in the City of Van-  
(SEAL) couver, British Columbia, Canada,  
this First day of August, 1913.

G. E. Stillings,

President.

Secretary.

SPECIMEN COPY.

TERMS AND CONDITIONS

Referred to in this Contract and in the application there-

for and made a part of this Contract. The Owner of this Contract is hereinafter referred to as the "holder," and THE NATIONAL MERCANTILE COMPANY, LIMITED, is referred to as the "Company."

## SECTION 1.

THE NATIONAL MERCANTILE COMPANY, LIMITED, hereby covenants and agrees that there shall be maintained by the Company a Loan and Reserve Fund for this Contract that shall include all of the instalment payments collected hereon, including the initial payment, as set out and provided for in Section twenty-three (23) herein, less the actual legitimate expenses of the Company; the same to be loaned or invested in approved securities by the Board of Directors of the Company, and this Loan and Reserve Fund, together with profits to its credit, shall be used as a fund to pay this Contract when it shall become due.

## SECTION 2.

The Loan and Reserve Fund of each particular series shall be kept separate and shall be derived from all of the instalments collected on each Contract and other sources as provided for in Section One (1), Eight (8) and Twenty-three (23) herein, together with the return payments of any sums thereof loaned, and its earnings shall be the amounts gained from simple and compound interest on money loaned, delinquencies, cash surrenders, paid-up certificates, profits on loans sold at a bonus, investments and fees, and any other surplus ac-

cretions thereof, including any necessary apportion of surplus funds made by the Company to this Contract.

### SECTION 3.

After the initial and five instalments shall have been paid on this Contract and it has been in force for six consecutive months, the holder shall be entitled to surrender this Contract to the Company and receive therefor a paid up, non-assessable, non-forfeitable, non-participating Contract bearing the date of surrender, for seventy-five per cent (75 per cent) of the amount contributed by him to the Loan and Reserve Fund out of instalments, together with interest thereon at the rate of one per cent (1 per cent) per annum for the average time, said paid-up Contract shall become due and payable when it is the oldest outstanding unpaid contract in the series to which it belongs. Such paid up contract to be payable when accumulated for, and to bear interest at the rate of three per cent (3 per cent) per annum, as shown in the Table of Values, column four (4), endorsed upon the back of this Contract and hereby made a part thereof.

### SECTION 4.

After the initial and eleven instalments shall have been paid on this Contract, and it has been in force for twelve consecutive months, the holder shall be entitled to surrender this Contract and receive therefor a paid-up, non-assessable, non-forfeitable, non-participating Contract bearing the date of surrender for the entire amount contributed by the holder to the Loan and Reserve Fund out of instalments, together with interest

thereon 'at the rate of one and one-half per cent ( $1\frac{1}{2}$  per cent) per annum for average time, said paid-up Contract shall become due and payable when it is the oldest outstanding unpaid contract in the series to which it belongs. Such paid-up contract to be payable when accumulated for, and to bear interest at the rate of three per cent. (3 per cent) per annum, as shown in the Table of Values, column four (4), endorsed upon the back of this contract and hereby made a part thereof.

### SECTION 5.

After the initial and seventeen instalments shall have been paid on this Contract, and it has been in force for eighteen consecutive months, the holder shall be entitled to surrender this Contract and receive therefor a paid-up, non-assessable, non-forfeitable, non-participating Contract, bearing the date of surrender for the entire amount contributed by the holder to the Loan and Reserve Fund out of instalments, together with interest thereon at the rate of two per cent. (2 per cent.) per annum for average time, said paid-up Contract shall become due and payable when it is the oldest outstanding unpaid contract in the series to which it belongs. Such paid up Contract to be payable when accumulated for, and to bear interest at the rate of three per cent (3 per cent.) per annum, as shown in the Table of Values, column four (4) endorsed upon the back of this contract and hereby made a part thereof.

### SECTION 6.

After the initial and twenty-three monthly instalments shall have been paid on this Contract, and it has



been in force for twenty-four consecutive months, the holder shall be entitled to surrender this Contract and receive therefor in cash the entire amount contributed by the holder to the Loan and Reserve Fund out of instalments, together with interest thereon at the rate of two and one-half per cent. ( $2\frac{1}{2}$  per cent.) per annum for average time, subject to all the provisions of section seven (7) herein, or in lieu thereof the holder may receive a paid-up, non-assessable, non-forfeitable, non-participating Contract, bearing the date of surrender for the full amount of all instalments paid by the holder on this Contract, together with interest thereon at the rate of three per cent. (3 per cent.) for average time, said paid-up Contract shall become due and payable when it is the oldest outstanding unpaid contract in the series to which it belongs. Such paid up Contract to be payable when accumulated for, and to bear interest at the rate of three per cent. (3 per cent.) per annum, as shown in the Table of Values, column four (4) endorsed upon the back of this contract and hereby made a part thereof.

### SECTION 7.

In lieu of benefits provided for in sections three (3), four (4), five (5) and six (6) of this Contract, the initial and seven monthly payments having been paid, the holder thereof by giving thirty (30) days' notice in writing to the Company and assigning this Contract as sole security, and executing a Note in favor of the Company, may borrow not more than fifty per cent. (50 per cent.) of the monthly instalments contributed by the holder to the Loan and Reserve Fund of this Contract with interest at the rate of five per cent. (5 per cent.) per

annum, and subject to the right of the Company to enforce any prior liens as provided in section eighteen (18) hereof, the holder of this Contract waives all right and title to any and all benefits, provisions or loans accruing hereunder, while this Contract is assigned as security for a temporary loan; provided further that not more than fifty per cent. (50 per cent.) of the amount accumulated in the Loan and Reserve Fund in any one month in the particular series to which this Contract belongs shall be used in making temporary collateral loans, paying cash surrenders, or for settlement of death claims.

#### SECTION 8.

The settlements and benefits of this Contract under and according to Sections one (1), two (2), three (3), four (4), five (5), six (6), seven (7) and thirteen (13) and this contract as a whole, are calculated upon the basis that not less than eighty per cent. (80 per cent.) of the instalments collected hereon, after the initial payment and three monthly instalments have been paid, shall be placed in the Loan and Reserve Fund of the particular series to which this contract belongs, and should the amount in the Loan and Reserve Fund be insufficient to satisfy this contract at the time it is due, under the terms of the aforesaid sections and the terms of the contract, the Company reserves the right to apportion from any of its surplus or expense funds an amount necessary to satisfy this contract under and according to all of its terms and conditions.

#### SECTION 9.

Should the holder of this Contract not desire a loan,

when the loan is ready under the terms hereof, the holder may within thirty (30) days from the date upon which notice to this effect is given him or her by the Company, surrender this Contract to the Company, and receive therefor, on each One Thousand Dollars (\$1,000) "Face Value" thereof all the monies paid by the holder on this Contract, and in addition thereto the holder shall be paid a premium of One Hundred and Fifty Dollars (\$150). Contracts of "Face Value" of smaller or larger denomination will be paid in same proportion.

#### SECTION 10.

Should the holder of this Contract prior to the fifth monthly instalment as provided for under Section three (3) hereof fail to pay any of the monthly instalments when due, for two consecutive months after they become due, and the holder hereof does not avail himself of the privileges guaranteed the holder in Section eleven (11) herein, then this Contract shall, at the option of the Company, be wholly null and void and of no effect, and shall be cancelled on the books of the Company for non-payment of monthly instalments due hereon, and all payments made hereon shall be forfeited, and the aggregate amounts of such payments shall be retained by the Company as agreed liquidated damages for the non-performance of the terms and conditions of the application therefor, and of the terms and conditions of this Contract, by the holder, time, manner, and amount of payment being of the essence of this Contract.

#### SECTION 11.

If the holder before or after a loan has been granted,

on account of sickness or misfortune, becomes unable for either of these reasons to pay the monthly instalments, and so notifies the Company in writing of said sickness or misfortune before the Contract is in arrears, a suspension of the aforesaid instalments, for a reasonable length of time, will be allowed the holder, but not to exceed a period of six months. At the expiry of the suspension the holder may make written application for suspension for a further period of six months and shall supply full information as to his financial position, and the Directors shall decide whether or not to grant the extension applied for. Upon or before the expiry of the suspension and before a loan has been made the Company will issue a new contract upon application, of date applied for to the Holder hereof giving credit thereon for all monies paid hereon. Should this Contract become null and void for the non-payment of the monthly instalments as provided for under Section ten (10) herein, the initial payment and all monthly instalments paid previous to and including the fifth monthly instalment shall be allowed as a credit on a new Contract for a like amount, provided the owner hereof, within five years from the date of such cancellation, applies for said new Contract for a like amount and pays two monthly instalments in advance.

## SECTION 12.

### DEATH CLAUSE.

Should the holder of this Contract die while this Contract is in good standing, and before this Contract has been surrendered, assigned, transferred, or any loan



made hereon, the Company, upon satisfactory proof of death being submitted in writing within sixty (60) days thereafter, shall render this Contract eligible for a loan of the "Face Value" hereof, said loan to be available to the legal representatives of the deceased holder, upon the same terms and conditions as set out herein, and said death of the holder hereof shall give this Contract priority for receiving a loan over that of all other applicants for loans of this series of Contracts, excepting other Contract holders of this series who may have filed applications for loans prior to the holder hereof, on account of death. Or should the holder die, and should his or her legal representatives not desire to avail themselves of any of the privileges herein extended, the Company will, upon request, waive the conditions of this Contract, and upon the surrender of the same, assigned to the Company by the legal representatives of the deceased holder, upon receipt of satisfactory proof of the death of the holder submitted in writing within sixty (60) days after said death occurs, pay to the said legal representatives the full amount of all monies paid hereon, with interest at the rate of five per cent. (5 per cent.) per annum for average time, that the said monies have been accumulating, and subject to all the provisions of section seven (7) herein.

### SECTION 13.

The monthly instalments required to be paid on this Contract as agreed to in the application therefor must be paid for ninety-nine consecutive months, beginning within thirty (30) days from the date of said application, unless surrendered on account of a loan having been

made to the holder or surrendered for a paid-up Contract or for cash, as provided for in Sections three (3), four (4), five (5), six (6) and nine (9) of this Contract, or transferred as provided in section seventeen (17) herein, or unless surrendered in the event of the death of the holder, as provided for in section twelve (12) herein.

#### SECTION 14.

It is hereby agreed that each monthly instalment having been paid as herein provided, and as agreed to in the application thereof, for ninety-nine consecutive months, shall render this Contract paid up in full and no further payments shall be required, and the Company promises and agrees to pay to the registered holder hereof, or his or her legal heirs or assigns, one hundred and twenty months from the date of this contract seventeen hundred and twenty-five (\$1725.00) dollars, together with such equitable proportion of the surplus accrued from delinquencies, cash surrenders, paid-up certificates, investments and fees, and all other surplus accretions as set out herein, from all the Contracts in the particular series to which this Contract belongs, and as may be apportioned to this Contract by the Board of Directors of the Company, which amount shall not exceed twenty-two hundred and fifty (\$2250) dollars and shall be paid out of the Loan and Reserve Fund, as soon as the amount on hand to the credit of this Contract shall equal the maturity value hereof; or the holder may at such time accept in cash in full settlement for this Contract the amount in the Loan and Reserve Fund standing or placed to the credit hereof, as soon as accumulated,

which amount shall not be less than the guaranteed minimum value as shown in column seven (7) of the Table of Values, or the holder may accept in cash in full settlement hereof the full amount standing to the credit of this Contract in the Loan and Reserve Fund of the series to which this Contract belongs.

## SPECIMEN COPY.

### SECTION 15.

Monthly instalments provided for in this Contract are due and payable at the Home Office of the Company without notice on or before the fifteenth day of each month following the date of the application therefor, but will be accepted elsewhere when paid in exchange for the Company's receipt signed by the Secretary or duly authorized collector. Agents or Solicitors are not authorized to collect or receipt for monthly instalments, unless authorized to do so by the Company in writing, signed by the President or Secretary, of which notice will be mailed to the holder of this contract.

### SECTION 16.

Contracts are placed in series of not to exceed in the aggregate of all Contracts to a series of "Face Value" One Hundred Thousand Dollars (\$100,000) to each series, with the understanding that all Contracts of a given locality are to be placed in the same series as nearly as possible to do so, and with the understanding that each particular series of Contracts issued and in good standing upon the books of the Company shall not at any time exceed in the aggregate in "Face Value," inclusive of all Contracts of a series, One Hundred Thou-

sand Dollars (\$100,000). When, by reason of loans, delinquencies, cash surrenders, paid-up Contracts, deaths and maturities, the number of Contracts in a series is reduced below the maximum aggregate "Face Value" of One Hundred Thousand Dollars (\$100,000), as hereinbefore provided for, the Company may, at its option, refill the series in which there may be vacancies with subsequent applications for Contracts. All applications for Contracts shall be signed personally by the applicant, giving his or her name and occupation and Post Office address.

#### SECTION 17.

While the holder of this Contract is not in default as to any of the obligations or conditions imposed upon him or her by the terms and conditions and requirements set forth in this Contract and the application therefor, this Contract can be assigned on the books of the Company to any person indicated by the holder, upon the payment of a fee of One Dollar (\$1.00) per each One Thousand Dollars (\$1000), "Face Value" hereof, or Ten Cents (\$0.10) for each One Hundred Dollars (\$100.00), "Face Value" hereof, at the time such transfer is made, giving the name and Post Office address of the transferee. The Company assumes no responsibility as to the validity of any assignment, and subject to the provisions of section twenty-two (22) herein.

#### SECTION 18.

The Company shall have prior lien upon this Contract for all unpaid instalments, dues, fees or loans, and



no transfer of this Contract shall be valid against such lien.

### SECTION 19.

The Company shall be bound by and be responsible for only such statements as are contained in this Contract and the application therefor, and no officer or agent, attorney or solicitor of this Company, general or special, or Provincial or State Manager, or Solicitor, or Correspondent or Contract purchaser has any authority to bind the Company by any promises, representations or any statements not contained in this Contract, or in the application therefor.

### SECTION 20.

The Company will not issue to any one person, firm or corporation, a Contract whose "Face Value" exceeds Five Thousand Dollars (\$5,000) in any one series of Contracts issued.

### SECTION 21.

The agreement between the parties hereto is completely set forth in this Contract and the application therefor, taken together, and none of its terms and conditions can be varied or modified, nor any forfeiture under it waived, except by an agreement in writing, passed by the Board of Directors of the Company, and signed by the President and Secretary of the Company; the authority for this purpose will not be delegated; no other person or persons has or will be given authority.

### SECTION 22.

Should this Contract be transferred or assigned and

the transferee or assignee desire the death benefit as provided for in section twelve (12) herein, the Company shall require the said transferee or assignee to procure in writing from a practicing physician a certificate sworn to before a notary public stating that the said transferee or assignee is in ordinarily good health.

### SECTION 23.

It is agreed by and between the holder hereof and the Company that the Company shall take as needed from the initial and all other instalments (excepting repayments and interest upon loans) paid in hereon a sum sufficient to pay this Contract's pro-rata share of the entire legitimate expenses of the Company, said expenses to be governed by the Board of Directors of the Company, it being agreed by the holder hereof that each Contract holder of each series of contracts shall share equally in the expenses aforesaid, and it is further agreed and guaranteed that all other sums received by said Company, including the initial and instalment payments, sums loaned and its earnings, profits from simple and compound interest on money loaned, delinquencies, paid-up certificates, cash surrenders, investments and fees, profits on loans sold at a bonus, and any other surplus accretions accruing, including any necessary apportion made by the Company shall remain in the Loan and Reserve Fund of each series until all Contract obligations are satisfied in the said series, after which the remainder, if any, may be apportioned to the surplus funds of the Company. It being further explicitly understood and agreed that nothing herein (Section 23), shall be so construed as to warrant the transfer to surplus

funds of any surplus except such as is actually earned and accrued after the full settlement of all the Contract obligations of any given series, as provided for in this section.

## SECTION 24.

All interpretations of this Contract prior to a loan being granted, the laws, procedure and construction of force in the Province of British Columbia, Canada, shall control.

The following is given as information to Contract holders in order that they may know how and upon what kind of securities the Loan and Reserve Fund accumulations of the Company are loaned.

### TERMS AND CONDITIONS

Under which the Loan and Reserve Fund accumulations are loaned.

(The owner of a Contract is hereinafter referred to as the "Holder" and The National Mercantile Company, Limited, as the "Company.")

1. In lending the Loan and Reserve Fund accumulations, preference and first consideration shall always be given by the Board of Directors of the Company to any applications for loans on file from the holders of Contracts under the terms and conditions set forth herein. Should, however, there be no application for a loan on file from a Contract holder, when the Company has funds on hand to loan or invest, the Company may then loan such funds to others on such terms as the Company wishes to make, or invest same to the best advantage, on adequate security, to be approved by the Board of

Directors of the Company. No application for a loan from any Contract holder will be considered by the Board of Directors of the Company if the applicant's Contract is not in good standing.

2. When the initial payment and five monthly instalments have been paid to the Company on a Contract, such payments shall render said Contract eligible to receive a loan in a sum equal to the "Face Value" of his Contract in the order of his application therefor out of the Loan and Reserve Fund of the particular series to which this Contract belongs, such Loan to be granted or funds supplied when accumulated therefor in accordance with all the Provisions and Terms and Conditions of the Contract, and the holder shall then be entitled to a loan of said amount applied for (on adequate security, to consist either of real estate, stocks, bonds or other property to be approved by the Board of Directors of the Company), immediately on the accumulation and receipt of the said amount in the Loan and Reserve Fund of the particular series to which this Contract belongs, subject to all applications for loans on file in the same series and entitled to prior consideration, first having been considered and disposed of by the Board of Directors of the Company, and loans to such prior applicants granted, or declined, or disposed of. All applications for loans shall be considered and disposed of by the Board of Directors of the Company (excepting loans granted on account of the death of a Contract holder, which loans take priority over loans applied for in the usual manner) in the order in which the applications are made for the Contract, priority govern-



ing according to the day, hour and minute of the aforesaid application. All applications for loans must be made upon the printed forms or blanks furnished by the Company, and no application for a loan will be considered unless same is made upon a printed blank form furnished by the Company for that purpose and provided that ten per cent. (10 per cent.) of the "Face Value" hereof shall have been paid in hereon.

3. When the holder of a Contract becomes entitled to and desires a loan and is offered a loan by the Company, the Holder shall, within thirty (30) days thereafter, furnish adequate security to consist, either of real estate, stocks, bonds or other property, to be approved by the Board of Directors of the Company and, if real estate security, the Holder shall furnish the Company a photographic view of the property on which a loan is desired, and shall also, within thirty (30) days, furnish at the Holder's expense, a complete abstract of title to the property on which such loan is desired, which abstract shall be examined by the attorneys for the Company; and if the title to said property be approved and a loan made thereon, the Holder shall, at the time of making such loan, execute and deliver to the Company a deed of trust or mortgage of such character and in such terms as the attorneys of the Company may require securing to the Company a first lien on said property; whereupon the Company shall loan to the holder a sum equal to, but not to exceed, the "Face Value" of his Contract, and the Holder shall be entitled, upon making of said loan, if he so desires, to receive credit upon the amount thereof, upon

surrender of his Contract for all monies paid thereon. The Holder shall pay to the Company, upon the making of such loan, not less than the sum of Seven Dollars (\$7.00) per month upon account of principal on each One Thousand Dollars (\$1,000) so loaned, or Seventy (70) Cents per month on each One Hundred Dollars (\$100) so loaned, and also the monthly instalment of interest at three per cent. (3 per cent.) computed annually, upon the balance remaining unpaid each year, and payable monthly. When the said monthly payments of Seven Dollars (\$7.00) on each One Thousand Dollars (\$1,000) loaned, or Seventy (70) Cents on each One Hundred Dollars (\$100) loaned or of any greater denomination shall aggregate an amount equal to the amount loaned (less the amount the Holder has paid the Company, if the Holder desires to surrender his Contract as aforesaid), then the collateral security shall be surrendered, or the deed of trust or mortgage shall be released. Or in lieu thereof the Holder may, at his option, repay said loan by making an equated monthly payment (which includes Principal and Interest) of Eight Dollars and Twenty (\$8.20) cents on each One Thousand (\$1,000) Dollars loaned, of which equated amount Seven Dollars (\$7.00) is principal, and One Dollar and Twenty (\$1.20) cents is interest, and when the said equated monthly payments of Eight Dollars and Twenty (\$8.20) cents on each One Thousand (\$1,000) Dollars so loaned shall aggregate an amount equal to the amount loaned, or of any lesser or greater denomination so loaned (less the amount the Holder has paid the Company, if the Holder desires to surrender

his Contract as aforesaid), then the collateral security shall be surrendered or the deed of trust, or mortgage, shall be released. The Company shall have sufficient time in which to appraise the property and determine the sufficiency of the security offered.

4. The borrower shall keep the property on which the Company has made a loan, as provided herein, if improved real estate, insured in some insurance company or companies, to be approved by the Company, against loss by fire, tornadoes or cyclones and at the expense of the borrower, in such sums as may be approved by the Company, the Policies of insurance to be made payable to the Company and left in its custody. The borrower shall pay, when due, all taxes assessed, all municipal or other assessments levied against said property, and all insurance premiums upon the policies of insurance aforesaid. Should the borrower fail to pay such taxes, assessments or insurance premiums when due, the Company may pay the same, and all sums so expended by the Company shall become due and be so much additional indebtedness secured by said mortgage, or deed of trust, and shall be paid to the Company by the borrower within sixty (60) days, with interest thereon at the rate of five per cent. (5 per cent.) per annum, otherwise said borrower to be in default. The borrower shall also pay for the preparation, executing and recording of all deeds, mortgages, bonds for title, and all other necessary expenses incident to the making of said loan. If the security for such loan or loans be shares of stock, or registered bonds, the same shall be assigned to the Company and the borrower shall pay all necessary expenses

of such registration and assignment and any other expense incident thereto. If the security for such loan or loans shall be bonds and certificates payable to the bearer, or other personal property, the possession thereof shall be delivered to the Company with the right to the Company to sell the same in case of default by the borrower in any of the terms of the contract or pledge. If the security for such loan or loans be promissory notes, tax certificates or written evidences of indebtedness, they shall be assigned to the Company at the time of making said loan or loans, with irrevocable authority to the Company to collect the same.

5. Should the holder of a Contract who has secured a loan, desire to pay off the principal of his loan before it becomes due, the Company will, upon request, allow him to pay off the principal, with interest due to date, at any time before maturity, by giving thirty (30) days' written notice to the Company.

6. No officer, or agent, or solicitor of the Company, general or special or Provincial or State agent or solicitor, correspondent or Contract purchaser has any authority to promise a loan at any particular time, or bind the Company by any promise, representations, or other statements as to when a loan can be made. The terms and conditions under which the loan and reserve fund accumulations are loaned are completely set forth herein in the foregoing paragraphs, and no one has or will be given authority to vary, modify, or change same.

7. In lending the Loan and Reserve Fund accumulations the Company may make such amendments to the rules and regulations as set out herein as may be



deemed proper by the Board of Directors of the Company and as required by the Laws of the various Provinces of the Dominion of Canada, and of the various States of the United States of America.

No. RR

Issue I

Series R N

THE NATIONAL MERCANTILE COMPANY,  
LIMITED.

Home Office: Winch Building.

Vancouver, British Columbia, Dominion of  
Canada.

“A National Loan, Savings and Investment Society.”  
SPECIMEN COPY.

LOAN AND HOME PURCHASING  
CONTRACT.

Issued to  
John Doe, Esq.,

1000 Granville Street,  
Vancouver, B. C. Canada.

**FOR VALUE RECEIVED**, I hereby sell, transfer and assign all my right, title and interest in the within Contract to the person indicated in the following Assignment Form:  
(Please fill out carefully and plainly)

By Whom Assigned (Owner must sign)	To Whom Assigned (Purchaser)	Local Address Purchaser of	Transfer Date of	Registered Transfer	Secretary's Endorsement	Assignment Number
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

**THE INSTALMENTS** on this Contract are due and payable on or before the fifteenth day of each calendar month following the date of the application therefor, and **MUST BE PAID PROMPTLY** each and every month in order to be entitled to a Loan as herein specified, or to be entitled to the Cash benefit when a Loan is offered the holder. The instalments on this Contract are payable at 420 Winch Bldg., Vancouver, Canada, to The National Mercantile Co., Ltd., unless the holder is otherwise notified by the Company in writing, and signed by an officer of the Company.

The following is a true copy of the application for which this Contract was issued:

An initial payment of One (\$1.00) Dollar is required to be paid on each One Hundred (\$100.00) Dollars "Face Value" of each Contract applied for. Contracts will not be issued for an amount less than Three Hundred (\$300.00) Dollars nor for more than Five Thousand (\$5,000) Dollars in any one Series.

Application for a Loan and Home Purchasing Contract to "A National Loan, Savings and Investment Society."

THE NATIONAL MERCANTILE COMPANY,  
LIMITED.

Incorporated under the laws of the Dominion  
of Canada in the Province of British  
Columbia.

Home Office: Winch Building  
Vancouver, B. C.

George E. Stillings, President.

I, John Doe, being of legal age and in ordinarily good health, hereby apply for one of your Loan and Home Purchasing Contracts of the "Face Value" of \$1500.00 in accordance with the plans of the Company as set out in said Contract and have paid Mr. Richard Roe, a solicitor (whose authority, I understand, extends only to the sale of Contracts issued by the Company under their printed Terms and Conditions), \$15.00 as initial payment for same, and I agree to pay the Company thereafter, without notice, a monthly instalment on said Contract of \$15.00 on or before the

fifteenth day of each month following the date hereof, until a loan has been granted, unless my Contract has been surrendered for a paid-up Contract, or cash surrender, as provided for in sections Three (3), Four (4), Five (5), Six (6) and Nine (9), under the head of Terms and Conditions of said Contract, or unless my Contract is transferred or carried to maturity, or surrendered on account of my death as provided for in section Twelve (12), under head of Terms and Conditions of said Contract.

I HAVE EXAMINED the plans of your Company and have read a printed copy of your Loan and Home Purchasing Contract and am familiar with and understand and accept all the Terms and Conditions of your Contract, and I make this application expressly and solely upon the Terms and Conditions of this application, and the Terms and Conditions of said Contract, and the Terms and Conditions under which the Loan and Reserve Funds are loaned and not upon the faith of any statement, promise, undertaking or guarantee on the part of said solicitor or any other person.

In witness whereof I have hereunto subscribed my name the year, month, day, hour and minute written below.

JOHN DOE, Applicant.

1000 Granville Street Address Vancouver, B. C.,  
P. O. or City. Canada, Prov. or State.

RICHARD ROE, Agent.

Month, August, 1913.

Date, First.

Hour, 10. Minute, 30 A. M.



First Monthly Instalment to begin September 15,  
1913.

NOTICE: Agents Are Authorized to Collect the Advance or Initial Payment Only.

### TABLE OF VALUES.

Giving the value of this Contract under the columns as indicated; (2) Initial and Monthly Payments; (3) Credit Value on Contract when Loan is made; (4) Paid-up Contract Value; (5) Cash Surrender Value; (6) Temporary Loan Value; (7) Guaranteed Minimum Value. This table gives the value as indicated by column number for Contracts "Face Value" \$1,000.00. For contracts of larger or smaller denominations, the value increases or decreases accordingly.

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
No. of Months Contract in Force	Initial and Monthly Payments	Credit Value on Contract When Loan is Made	Paid-up Contract Value	Cash Sur- render Value	Temporary Loan Value	Guaranteed Minimum Value
1	\$ 10.00	.....	.....	.....	.....	.....
2	20.00	.....	.....	.....	.....	.....
3	30.00	.....	.....	.....	.....	.....
4	40.00	.....	.....	.....	.....	.....
5	50.00	.....	.....	.....	.....	.....
6	60.00	.....	\$ 15.00	.....	.....	\$ 8.00
7	70.00	.....	22.51	.....	.....	16.02
8	80.00	.....	30.02	.....	\$ 16.00	24.06
9	90.00	.....	37.54	.....	20.00	32.12
10	100.00	\$ 100.00	45.07	.....	24.00	40.20
11	110.00	110.00	52.60	.....	28.00	48.30
12	120.00	120.00	64.28	.....	32.00	56.42
13	130.00	130.00	72.36	.....	36.00	64.56
14	140.00	140.00	80.45	.....	40.00	72.72
15	150.00	150.00	88.55	.....	44.00	80.90
16	160.00	160.00	96.66	.....	48.00	89.10
17	170.00	170.00	104.78	.....	52.00	97.32
18	180.00	180.00	113.17	.....	56.00	105.56
19	190.00	190.00	121.35	.....	60.00	113.82
20	200.00	200.00	129.55	.....	64.00	122.10
21	210.00	210.00	137.76	.....	68.00	130.40
22	220.00	220.00	145.98	.....	72.00	138.72
23	230.00	230.00	154.22	.....	76.00	147.06
24	240.00	240.00	246.90	\$163.16	80.00	155.42
25	250.00	250.00	257.50	171.50	84.00	163.80
26	260.00	260.00	268.13	179.85	88.00	172.20
27	270.00	270.00	278.78	188.21	92.00	180.63
28	280.00	280.00	289.45	196.60	96.00	189.08
29	290.00	290.00	300.15	205.00	100.00	197.55
30	300.00	300.00	310.88	213.41	104.00	206.04
31	310.00	310.00	321.63	221.85	108.00	214.55
32	320.00	320.00	332.40	230.30	112.00	223.08
33	330.00	330.00	343.20	238.76	116.00	231.63
34	340.00	340.00	354.03	247.25	120.00	240.20
35	350.00	350.00	364.88	255.75	124.00	248.80
36	360.00	360.00	375.75	264.26	128.00	257.42
37	370.00	370.00	386.65	272.80	132.00	266.06
38	380.00	380.00	397.58	281.35	136.00	274.72
39	390.00	390.00	408.53	289.91	140.00	283.40
40	400.00	400.00	419.50	298.50	144.00	292.10
41	410.00	410.00	430.50	307.10	148.00	300.83
42	420.00	420.00	441.53	315.71	152.00	309.58
43	430.00	430.00	452.58	324.35	156.00	318.35
44	440.00	440.00	463.65	333.00	160.00	327.14
45	450.00	450.00	474.75	341.66	164.00	335.95
46	460.00	460.00	485.88	350.35	168.00	344.78
47	470.00	470.00	497.03	359.05	172.00	353.64
48	480.00	480.00	508.20	367.76	176.00	362.52
49	490.00	490.00	519.40	376.50	180.00	371.42
50	500.00	500.00	530.63	385.25	184.00	380.34
						389.29

*R. A. Watson, Corporation Commissioner, et al.* 81

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
No. of Months Contract in Force	Initial and Monthly Payments	Credit Value on Contract When Loan is Made	Paid-up Contract Value	Cash Sur- render Value	Temporary Loan Value	Guaranteed Minimum Value
51	\$510.00	\$510.00	\$541.88	\$394.01	\$188.00	\$398.26
52	520.00	520.00	553.15	402.80	192.00	407.25
53	530.00	530.00	564.45	411.60	196.00	416.26
54	540.00	540.00	575.78	420.41	200.00	425.30
55	550.00	550.00	587.13	429.25	204.00	434.36
56	560.00	560.00	598.50	438.10	208.00	443.44
57	570.00	570.00	609.90	446.96	212.00	452.54
58	580.00	580.00	621.33	455.85	216.00	461.67
59	590.00	590.00	632.78	464.75	220.00	470.82
60	600.00	600.00	644.25	473.66	224.00	479.99
61	610.00	610.00	655.75	482.60	228.00	489.19
62	620.00	620.00	667.28	491.55	232.00	498.41
63	630.00	630.00	678.83	500.51	236.00	507.65
64	640.00	640.00	690.40	509.50	240.00	516.91
65	650.00	650.00	702.00	518.50	244.00	526.20
66	660.00	660.00	713.63	527.51	248.00	535.51
67	670.00	670.00	725.28	536.55	252.00	544.84
68	680.00	680.00	736.95	545.60	256.00	554.20
69	690.00	690.00	748.65	554.66	260.00	563.58
70	700.00	700.00	760.38	563.75	264.00	572.98
71	710.00	710.00	772.13	572.85	268.00	582.41
72	720.00	720.00	783.90	581.96	272.00	591.86
73	730.00	730.00	795.70	591.10	276.00	601.33
74	740.00	740.00	807.53	600.25	280.00	610.83
75	750.00	750.00	819.38	609.41	284.00	620.35
76	760.00	760.00	831.25	618.60	288.00	629.90
77	770.00	770.00	843.15	627.80	292.00	639.47
78	780.00	780.00	855.08	637.01	296.00	649.06
79	790.00	790.00	867.03	646.25	300.00	658.68
80	800.00	800.00	879.00	655.50	304.00	668.32
81	810.00	810.00	891.00	664.76	308.00	677.99
82	820.00	820.00	903.03	674.05	312.00	687.68
83	830.00	830.00	915.08	683.35	316.00	697.39
84	840.00	840.00	927.15	692.66	320.00	707.13
85	850.00	850.00	939.25	702.00	324.00	716.89
86	860.00	860.00	951.38	711.35	328.00	726.68
87	870.00	870.00	963.53	720.71	332.00	736.49
88	880.00	880.00	975.70	730.10	336.00	746.33
89	890.00	890.00	987.90	739.50	340.00	756.19
90	900.00	900.00	1000.13	748.91	344.00	766.08
91	910.00	910.00	1012.38	758.35	348.00	775.99
92	920.00	920.00	1024.65	767.80	352.00	785.92
93	930.00	930.00	1036.95	777.26	356.00	795.88
94	940.00	940.00	1049.28	786.75	360.00	805.86
95	950.00	950.00	1061.63	796.25	364.00	815.87
96	960.00	960.00	1074.00	805.76	368.00	825.90
97	970.00	970.00	1086.40	815.30	372.00	835.96
98	980.00	980.00	1098.83	824.85	376.00	846.04
99	990.00	990.00	1111.28	834.41	380.00	856.15
100	1000.00	1000.00	1123.75	844.00	384.00	866.30

**Exhibit 2.**

An initial payment of One (\$1.00) Dollar is required to be paid on each One Hundred (\$100.00) Dollars "Face Value" of each Contract applied for. Contracts will not be issued for an amount less than Three Hundred (\$300.00) Dollars nor for more than Five Thousand (\$5,000.00) Dollars in any one series.

"A National Loan, Savings and Investment Society."  
Application to

A. D. Baker & Company

**FOR A LOAN AND HOME PURCHASING  
CONTRACT**

—IN—

**THE NATIONAL MERCANTILE  
COMPANY, LIMITED.**

Incorporated under the Laws of the  
Dominion of Canada, in the  
Province of British  
Columbia.

Home Office: Winch Building, Vancouver, B. C.  
George E. Stillings, President.

I,.....being of legal age and in ordinarily good health, hereby apply for one of your Loan and Home Purchasing Contracts of the "Face Value" of \$..... in accordance with the plans of the Contract as set out in said Contract, and have



paid Mr....., a solicitor (whose authority, I understand, extends only to the sale of Contracts issued by you under their printed terms and conditions), \$....., as initial payment for same, and I agree to pay thereafter, without notice, a monthly instalment on said Contract of \$..... on or before the fifteenth day of each month following the date hereof, until a loan has been granted, unless my Contract has been surrendered for a paid-up Contract, or cash surrender, as provided for in Sections Three (3), Four (4), Five (5), Six (6) and Nine (9), under the head of Terms and Conditions of said Contract, or unless my Contract is transferred or carried to maturity, or surrendered on account of my death as provided for in Section Twelve (12), under head of Terms and Conditions of said Contract.

I HAVE EXAMINED the plans of your Contract and have read a printed copy of your Loan and Home Purchasing Contract and am familiar with and understand and accept all the Terms and Conditions of your Contract, and I make this application expressly and solely upon the Terms and Conditions of this application, and the Terms and Conditions of said Contract, and the Terms and Conditions under which the Loan and Reserve Funds are loaned and not upon the faith of any statement, promise, undertaking or guarantee on the part of said solicitor or any other person.

IN WITNESS WHEREOF I have hereunto subscribed my name the year, month, day, hour and minute written below:

..... Applicant  
 ..... Street Address  
 ..... P. O. or City  
 ..... Prov. or State  
 ..... Agent

Month .....191..)

Date .....)

Hour .....)

Minute ..... M.)

First Monthly Instalment to Begin.....191..

Notice: Agents are authorized to collect the advance  
 or initial payment only.

This Receipt is Not Good for More Than \$1.00 Per  
 Each \$100.00 "Face Value" of the Contract  
 Applied For.

A. D. BAKER & COMPANY,  
 723 Chamber of Commerce Building,  
 Portland, Ore.

\$.....191..

RECEIVED of.....

\$.....to apply on a contract, "Face Value" \$.....,  
 to be issued by ..... in The National  
 Mercantile Company, Limited.

Your next payment is due.....191..

.....  
 Agent.

This is only a temporary receipt to be used at the  
 time the initial payment is made. Receipts given upon

this form for monthly instalments will not be recognized by the Company.

No Contract will be issued to the same applicant whose "Face Value" exceeds Five Thousand (\$5,000) Dollars in any one Series of Contracts issued.

For the accommodation of my patrons I agree to receive and receipt for the monthly instalments to be paid upon contracts sold by myself or my agents.

**SPECIAL NOTICE:**—Agents are authorized to collect and receipt for the *initial* payment only. All monthly instalments must be paid according to instructions that will be sent to the Contract holder.

Each agent is supplied with a specimen copy of my Loan and Home Purchasing Contract. Ask to see same before making application.

Unless this application is attached to a Weekly Report the Agent must fill out and sign the following statement before forwarding this application:

I hereby certify that the applicant hereto has paid me \$..... as the initial payment on the contract applied for in this application.

I have not collected or received any other instalments from this applicant.

..... Agent

#### THIS SPACE FOR OFFICE

Checked for Errors.....  
Contract Issued .....  
Receipt Book Issued.....  
Index Record .....





Each agent is provided with a specimen copy of my loan and home purchasing contract. Ask to see same, and be sure you read this contract before making application.

Now that you are a contract holder in the Company that issues this Contract, *its* interests and *your* interests are identical, therefore speak a good word for this, *your* Company, and assist us in increasing the membership in *your* community, for thus will your co-operation enhance the value of your contract. For each contract holder that you secure us you will be allowed a Cash Credit upon your own contract, thus you reduce the cost of your own holdings to the minimum.

Full terms and particulars of this offer will be explained to you upon application to

A. D. BAKER & COMPANY

723 Chamber of Commerce Building, Portland, Ore.

**Exhibit 3**

An initial payment of One (\$1.00) Dollar is required to be paid on each One Hundred (\$100.00) Dollars

“Face Value” of each Contract applied for.

Contracts will not be issued for an amount

less than Three Hundred (\$300.00)

Dollars nor for more than Five

Thousand (\$5,000.00) Dol-

lars in any one series.

“A National Loan, Savings and Investment Society.”

APPLICATION FOR A LOAN AND HOME  
PURCHASING CONTRACT

TO

THE NATIONAL MERCANTILE COMPANY,  
LIMITEDIncorporated under the Laws of the Dominion of  
Canada, in the Province of British Columbia

Home Office: Winch Building, Vancouver, B. C.

George E. Stillings, President

I, .....being of legal age and in ordinarily good health, hereby apply for one of your Loan and Home Purchasing Contracts of the "Face Value" of \$...... in accordance with the plans of the Company as set out in said Contract, and have paid Mr....., a solicitor (whose authority, I understand, extends only to the sale of Contracts issued by the Company under their printed terms and conditions), \$......, as initial payment for same, and I agree to pay the Company thereafter, without notice, a monthly instalment on said Contract of \$...... on or before the fifteenth day of each month following the date hereof, until a loan has been granted, unless my Contract has been surrendered for a paid-up Contract, or cash surrender, as provided for in Section Three (3), Four (4), Five (5), Six (6) and Nine (9), under the head of Terms and Conditions of said Contract, or unless my Contract is transferred or carried to maturity, or surrendered on account of my death as provided for in Section Twelve (12), under head of Terms and Conditions of said Contract.

I HAVE EXAMINED the plans of your Company and have read a printed copy of your Loan and Home Purchasing Contract and am familiar with and understand and accept all the Terms and Conditions of your Contract, and I make this application expressly and solely upon the Terms and Conditions of this application, and the Terms and Conditions of said Contract, and the Terms and Conditions under which the Loan and Reserve Funds are loaned and not upon the faith of any statement, promise, undertaking or guarantee on the part of said solicitor or any other person.

IN WITNESS WHEREOF I have hereunto subscribed my name the year, month, day, hour and minute written below:

..... Applicant  
..... Street Address  
..... P. O. or City  
..... Prov. or State  
..... Agent

Month ..... 191..)

Date .....)

Hour .....)

Minute ..... M.)

First Monthly Instalment to begin....., 191..

Unless this application is attached to a Weekly Report the Agent must fill out and sign the following statement before forwarding this application to the Company.

I hereby certify that the applicant hereto has paid me \$. ..... as the initial payment on the contract applied for in this application.

I have not collected or received any other instalments from this applicant.

..... Agent

### THIS SPACE FOR COMPANY

Checked for Errors.....

Contract Issued .....

Receipt Book Issued.....

Index Record .....

Series Record .....

Index Card .....

Bookkeeper .....

Agts. Com. Statement.....

Agent will show here any instalments paid in advance.

..... \$.....

..... \$.....

..... Agent.

### This page to be filled in at Company's Office APPLICATION FOR A LOAN & HOME PUR- CHASING CONTRACT

TO

THE NATIONAL MERCANTILE COMPANY  
Limited.

Home Office: Winch Bldg., Vancouver, B. C.

Name .....

P. O.....

Prov. or State.....

No..... Issue..... Series.....

Face Value, \$.....

.....

Agent



Received at Company's Office	
.....	191....
Remarks	
.....	
.....	

**Exhibit A.**

**Blue Sky Law.**

**OREGON BLUE SKY LAW**

As Found in Chapter 341 of the  
General Laws of Oregon for 1913  
Effective June 3, 1913

Published by the Corporation Department of the  
State of Oregon  
**R. A. WATSON**  
Corporation Commissioner

**THE BLUE SKY LAW**

Chapter 341, Laws of 1913.

To protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a corporation department to administer this and other laws relating to the regulation and supervision of corporations, and providing penalties for the violation thereof.

§ 1. Domestic Investment Company, Defined.

The term "Domestic Investment Company," within the meaning of this act shall include:

- a. Every corporation, every co-partnership or com-

pany, every association and every person now organized or which shall hereafter be organized under and pursuant to the laws of this State, whether incorporated or unincorporated, which shall issue, sell or negotiate for the sale of any stocks, bonds or other securities of any kind or character whatsoever, other than the stock of state and national banks located in this State, bonds of the United States, and foreign governments in good standing, State or municipal bonds, or mortgages upon real property where the entire mortgage is sold and transferred with the notes secured by such mortgages, to any person or persons in the said State of Oregon.

b. Every corporation, company, co-partnership or association which shall issue, sell, offer or negotiate for the sale of any bonds secured by mortgage upon real property.

c. Every person, co-partnership, association or corporation now organized or which may hereafter be organized, doing business as a so-called investment, loan, benefit, co-operative, home, building and loan or savings and loan company, not specifically covered by the foregoing or by Sections 2 and 3 of this act, and not specifically exempted by the provisions of this act.

d. Sales of the stock of investment companies licensed under this act, when made by individual owners of the same, for their own account exclusively, and not made in the course of repeated or continuing transactions of a similar nature by such owner, shall not render the owner subject to the provisions of this act. [Laws, 1913, Chap. 341, page 668.]

§ 2. Foreign Investment Company, Defined.

The term "Foreign Investment Company" within the meaning of this act shall include every such corporation, co-partnership, company, association or person organized in any other State, territory or government. *Provided*, that whenever by law of this State, there is provided another system than that provided herein for the regulation, supervision or authorization of the issuance of stocks or bonds, or of the creation of liens upon the property of railroads (as the same are defined in Section 6886 of Lord's Oregon Laws, as amended by Chapter 77 of the General Laws of Oregon for the year 1911), or of Public Utilities (as the same are defined in Section 1 of Chapter 279 of the General Laws of Oregon for the year 1911), such railroads or public service utilities shall not be deemed to be a domestic or foreign investment company within the meaning of this act; *provided, further*, that this act shall not apply to railroads engaged in interstate commerce. [Laws 1913, Chap. 341, page 669.]

§ 3. Stock Broker Defined.

The term "Stock Broker" as used in this Act shall include every person, set of persons, association, company, co-partnership or corporation, whether organized under the laws of Oregon or of some other state, territory or government, who shall deal in stocks, bonds or other securities covered by this act, or who shall sell, offer or negotiate for the sale of any stock, bonds or other securities covered by this act in the State of Oregon, underwriting or purchasing such securities and reselling to any person or persons in the State of Oregon

at a commission or profit. [Laws 1913, Chap. 341, page 669.]

§ 4. Agent Defined.

The name "Agent" as used in this Act shall include any person who shall act for any investment company or stock broker in offering for sale, taking subscriptions for or negotiating for the sale, or selling any securities for any investment company or stock broker, either as an employee on a salary basis or for a commission. [Laws 1913, Chap. 341, page 669.]

§ 5. Corporation Department of the State of Oregon, and Commissioner.

There is hereby established a department to be known as the "Corporation Department of the State of Oregon," which department shall be in charge of a chief officer who shall be known as the Corporation Commissioner. The Governor shall, immediately after this act goes into effect, appoint such Commissioner, who shall hold office until the first Monday in January, 1917, unless sooner removed by the Governor for inefficiency or malfeasance in office; and thereafter, and at intervals of four years each, commencing on the first Monday in January, 1917, it shall be the duty of the Governor to appoint some qualified man as such Commissioner. [Laws 1913, Chap. 341, page 670.]

§ 6. Salary of Commissioner and Appointment of Clerks, Etc.

The Corporation Commissioner shall receive in full compensation for his services a salary of \$3,000 per annum, payable from the corporation fund in the manner



herein provided. He shall appoint such clerks, stenographers and assistants as may be actually necessary from time to time to properly discharge the duties of his office and may purchase such stationery, blanks, records, furniture, office supplies and equipment and incur such travel and subsistence expenses as may be necessary and incident to the performance of his official duties, to be paid by the State Treasurer from the fund known as the "Corporation Fund" herein created, upon the certified claims of the Commissioner, after audit and approval by the Secretary of State, in the same manner as other claims against the State are paid. [Laws 1913, Chap. 341, page 670.]

§ 7. Bond and Oaths of Office of Officers.

Before entering upon the duties of the offices to which they have been appointed, the Corporation Commissioner and the other employees of the department shall subscribe to an oath that they will faithfully and impartially discharge the duties of their respective offices. The Commissioner shall execute to the State of Oregon, a surety bond in such amount as the Governor may require, but which shall not be less than \$25,000. The cost of said bond shall be charged to the State and paid from the Corporation Fund. [Laws 1913, Chap. 341, page 670.]

§ 8. Corporations, Etc., Now Supervised by Secretary or Treasurer are Given Over to Commissioner.

The Secretary of State shall provide the Corporation Department with suitable office rooms and all books, records, documents, instruments, blanks, and

other equipment heretofore employed by the Secretary of State and State Treasurer in connection with the supervision of corporations, joint stock companies and associations, shall be turned over to the Corporation Department. All duties required by law to be discharged by the Secretary of State and State Treasurer, in connection with the supervision of corporations, joint stock companies and associations, shall, from and after the taking effect of this act, be discharged by the said Commissioner. All fees, charges, interest, fines and penalties provided by this act or heretofore paid to the Secretary of State and State Treasurer by foreign and domestic corporations, joint stock companies and associations, shall hereafter be paid into the Corporation Department, and together with the revenues from all other sources provided by this Act, shall go into a fund to be known as the Corporation Fund, and this fund shall be liable for all the expenses of the Corporation Department, as herein provided. It shall be the duty of the Commissioner quarterly to certify under oath to the State Treasurer and Secretary of State the total amount of receipts of the Corporation Department for each current quarter. Whenever the amount of money in the Corporation Fund shall exceed \$15,000, all in excess of \$10,000 shall be transferred by the State Treasurer to the general fund of the State. All fees and payments of every description required by this act to be made to the Corporation Commissioner, shall be paid by him to the State Treasurer on the first day of the calendar month following their receipt by the said Commissioner.

Section 9. It shall be unlawful for any domestic or foreign investment company, or stock broker, or any representative thereof, to sell, offer for sale, take subscriptions for or negotiate for the sale in any manner whatsoever of any stocks, bonds or other securities of any kind or character, other than those specifically exempted from the provisions hereof by this act, without a permit from the Corporation Commissioner, as hereinafter provided. [Laws 1913, Chap. 341, page 670.]

INVESTMENT COMPANIES.

§ 10. Investment Companies, Reports and Permits.

Before securing such permit it shall be necessary for each and every investment company to file in the office of the Corporation Commissioner, together with a filing fee of \$5.00, the following documents in addition to those now required by law to be filed by corporations, joint stock companies and associations, in the office of the Secretary of State, to wit:

(a) A statement showing in full detail the plan upon which it proposes to transact business.

(b) A copy of all contracts, bonds or other instruments which it proposes to make with or sell to its contributors or customers.

(c) A statement which shall show the name and location of the investment company, and an itemized account of its actual financial condition.

(d) The amount of its property and liabilities.

(e) Sample copies of all literature or advertising matter used or to be used by such investment company.

(f) Such other information touching its affairs as said Commissioner may require.

If such investment company shall be a co-partnership or association, it shall also file with the Corporation Commissioner a copy of its articles of co-partnership or association, and all other papers pertaining to its organization, and if it be a corporation organized under the laws of Oregon, it shall also file with the said Commissioner a list of the subscribers to its stock, showing the amount paid by each and whether in cash or otherwise, and verified copies of all of the other papers pertaining to its organization not otherwise required by law. If it shall be an investment company organized under the laws of any other state, territory or government, incorporated or unincorporated, it shall also file with the said Commissioner a certified copy of all amended and supplementary articles of incorporation or association, certificates of increase and decrease of capital stock, and of all other papers pertaining to its organization, and such other information as the Commissioner may require. If such foreign investment company be other than a corporation, it shall execute and file with the Corporation Commissioner a power of attorney in manner and form and with the effect as now or at any time hereafter provided for foreign corporations by the laws of this State. Also there shall be filed in the office of the said Commissioner by every domestic and foreign investment company now existing or hereafter organized, copies of its by-laws and all amendments thereof as soon as the same shall be adopted and approved by the said investment company; *provided*,



that the said Commissioner may, in his discretion, waive the filing of any of the documents or information required by this section, when the securities to be sold by the stock broker or investment company are listed in current standard manuals of investment, or when there shall be furnished other evidence of the solvency or reliability of the stock broker or investment company, that shall be satisfactory to the said Commissioner. [Laws 1913, Chap. 341, page 671.]

§ 11. All Papers and Reports Must be Sworn to by Member of Association Authorized.

All of the above described papers shall be verified by the oath of a duly authorized member of a co-partnership or association, if it be a co-partnership or association, and by the oath of the president and secretary, if it be incorporated, *provided* that the Corporation Commissioner shall have the power to require such officers to make affidavits to such other reports or information as he may call for. [Laws 1913, Chap. 341, page 672.]

§ 12. Commissioner When Statements and Documents are Filed, May Make Further Investigation.

It shall be the duty of the Corporation Commissioner to examine the statements and documents so filed, and if he shall deem it advisable he shall make or have made a detailed examination, audit and investigation of such investment company's affairs; *provided*, that such investment company may at its option, in writing, refuse to have such investigation made, in which event the said Corporation Commissioner shall reject its application.

If the Commisioner finds that such investment company is solvent, that its articles of incorporation or association, its constitution and by-laws, its proposed plan of business and proposed contracts contain and provide for a safe, fair, just and equitable plan for the transaction of business, the Commissioner shall without unnecessary delay issue to such investment company a statement reciting that such company has complied with the provisions of this act, that detailed information in regard to the company and its securities is on file in the Corporation Commissioner's office for public inspection and information, that such investment company is permitted to do business in this State, and such statement shall also recite in bold type that the Corporation Commissioner in no wise recommends the securities to be offered for sale by such investment company. But if said Corporation Commissioner finds that such articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, or if he decides from his examination of its affairs that said investment company is not solvent or does not intend to do a fair and honest business, then he shall not grant such a company a permit as herein provided, and shall notify such investment company, in writing, of his decision. All charges received or collected and all expenses for any examination made under the provisions of this Section of this act shall be reported in detail by the Corporation Commisioner and a full report and record thereof made in detail. [Laws 1913, Chap. 341, page 672.]

§ 13. Stock Brokers, Permits.

The foregoing Sections 10, 11 and 12 shall apply to stock brokers, providing that stock brokers shall not be required to file a copy of each stock, bond or other security they shall handle. Any person applying to the Corporation Commissioner for a permit to do business as a stock broker shall furnish evidence (to be confirmed by the said Commissioner's investigation, as may be necessary) establishing the sound moral character and good business repute of the person so applying, and showing for what length of time and in what capacities he has been engaged in the sale of securities. Also, a statement of the names and of the residence and business addresses of all persons interested as principals, officers, directors and as managing or sales agents, and the nature of the interest of each. Also, a statement of their assets and liabilities, and such other information as the said Commissioner may require. Such permit shall entitle such stock broker to handle such stocks, bonds and other securities in the State of Oregon as are not objected to by the Corporation Commissioner, providing that such stock broker shall file on the first day of each month a list of the stocks, bonds and other securities on hand for sale, and handled by it during the preceding month; *and providing further*, that said Corporation Commissioner shall have authority to prohibit said stock broker from handling any of such issues at any time, or to cancel said broker's permit at any time he decides that said broker is not handling such securities as he deems good legitimate investments. [Laws 1913; Chap. 341, page 673.]

## § 14. Appeal, How Taken.

An appeal may be taken from the decision of the Corporation Commissioner refusing to grant a charter or certificate of authority to any stock broker or investment company to the Circuit Court of the State of Oregon for Marion County. Such appeal shall be taken by filing with the clerk of said court a certified transcript of all papers in the commissioner's office relating to such decision. The court shall upon such appeal be limited to a consideration of whether there has been abuse of discretion on the part of the Commissioner in making such decision. Such appeal shall be tried and determined by the court in a summary way, but otherwise as a suit in equity. [Laws 1913, Chap. 341, page 674.]

## § 15. All Changes in Charter, By-Laws, Increase or Decrease of Stock Must Be Approved by Commissioner.

No amendment of the charter, articles of incorporation, constitution and by-laws of any investment company, nor any increase or decrease of its capital stock, shall become operative until a copy of the same has been filed with and approved by the Corporation Commissioner as provided in regard to the original filing of charters and articles of incorporation, constitutions and by-laws, nor shall it be lawful for any such investment company to transact business on any other plan than that set forth in the statement required to be filed by Section 10 of this act, or to make any contracts for the sale of stocks, bonds or securities other than that shown in the copy of the proposed contracts required to be



filed by Section 10 of this act, until a written statement showing in full detail the proposed new plan of transacting business shall have been filed with the Corporation Commissioner, in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Commissioner obtained as to make such proposed new plan of transacting business and proposed new contract. [Laws 1913, Chap. 341, page 674.]

§ 16. Unlawful to Circulate or Issue Circulars or Documents in Regard to Stock and Securities Until Licensed.

It shall be unlawful for any investment company or stock broker or its or his agent to issue, circulate or deliver any advertisement, pamphlet, circular or other document in regard to its stock, bonds or other securities in the State of Oregon until after such investment company or stock broker shall have been licensed to sell its securities in the State of Oregon as provided in this act, and it shall be unlawful for any such licensed investment company or stock broker or its agents to issue, circulate or deliver any such advertisement, pamphlet, circular or other document, unless the same shall be signed and bear a serial number and a copy thereof first filed with the Corporation Department and the approval of the Corporation Commissioner obtained thereto, nor shall it be lawful for such investment company or stock broker or its agent to issue, circulate or deliver such advertisements, etc., after it has been notified of objection thereto by said Corporation Commissioner. [Laws 1913, Chap. 341, page 675.]

## § 17. Agents to Be Registered With Commission.

Any investment company or stock broker may appoint one or more agents, but no such agent shall do any business for said investment company or stock broker in this State until he shall first register with the Corporation Commissioner as agent for such investment company or stock broker and for each of such registrations there shall be paid to the Commissioner the sum of two dollars. Such registration shall entitle such agent to represent said investment company or stock broker as its agent until the first day of July following, when it shall be necessary to re-register such agent. Such permit, however, shall be subject to revocation at any time by the Corporation Commissioner. [Laws 1913, Chap. 341, page 675.]

## § 18. Companies and Brokers Must Make Yearly Report.

Every investment company, and every stock broker, domestic or foreign, shall file as of the close of business on June 30th, of each year, and at such other times as required by the Corporation Commissioner, a certified statement in such form as may be prescribed and furnished by the said Commissioner, setting forth its financial condition and the amount of its assets and liabilities and furnishing such other information concerning its affairs as said Commissioner may require. Every regular statement of June 30th, shall be accompanied by a filing fee of two dollars. Any investment company failing to file its report as of the close of business on June 30th of each year, within fifteen days of that date,

or failing to give any other or special report herein required, within thirty days after receipt of request or requisition therefor, shall forfeit its rights to do business in this State, and shall be subject to such further penalty as is hereinafter provided for violations of this Act. [Laws 1913, Chap. 341, page 675.]

§ 19. Accounts to be Kept by Double Entry and Quarterly Trial Balances Made Therefrom.

The general accounts of every investment company, domestic or foreign, doing business in this State, shall be kept by double entry, and such company, its co-partners or managing officers shall at least once in each quarter make a trial balance of such accounts, which shall be recorded in a book provided for that purpose; such trial balances and all other books and accounts of such company shall at all times during business hours, except on Sundays and legal holidays, be open to the inspection of the Corporation Commissioner and his deputies. [Laws 1913, Chap. 341, page 676.]

§ 20. Commissioner May at Any Time Examine Investment Companies or Brokers.

The Corporation Commissioner shall have general supervision and control over any and all investment companies, domestic or foreign, all stock brokers and all corporations, joint stock companies and associations doing business in this State, and all such domestic and foreign investment companies and stock brokers shall be subject to examination by the Commissioner or his duly authorized deputies at any time the said Commissioner may deem it advisable and in the same manner as

is now provided for the examination of state banks. The rights, powers and privileges of the Corporation Commissioner in connection with such examination shall be the same as is now provided with reference to the examination of state banks by the State Banking Department. [Laws 1913, Chap. 341, page 676.]

Note.—Sec. 458a. Fees of Bank Examiner.—On and after the 1st day of July, 1913, the Superintendent of Banks shall collect from each bank, for each examination of said bank, an amount regulated by the capital and surplus of such bank at the time of such examination, according to the following schedule:

For all banks having a capital and surplus of

Over \$20,000 and not over \$50,000.....	\$ 25.00
Over \$50,000 and not over \$75,000.....	30.00
Over \$75,000 and not over \$100,000.....	40.00
Over \$100,000 and not over \$150,000.....	50.00
Over \$150,000 and not over \$200,000.....	60.00
Over \$200,000 and not over \$250,000.....	75.00
Over \$250,000 and not over \$300,000.....	85.00
Over \$300,000 and not over \$500,000.....	100.00
Over \$500,000 and not over \$750,000.....	125.00
Over \$750,000 and not over \$1,500,000.....	200.00
Over \$1,500,000 .....	250.00

And, in addition thereto, such bank shall pay, at the same time, an amount equal to one-hundredth of one per cent of its undivided profits and total deposits at the date of examination; *provided*, that balances due to other banks, postal savings deposits, interest-bearing certificates of deposit, savings department deposits and deposit of public funds, upon which interest is paid to



the State, county, district or city depositing same, shall not be included in the said total deposits of said bank. [Laws 1913, Chap. 360, page 747.]

§ 21. Revocation of Permits and Receivers.

Whenever it shall appear to the Corporation Commissioner that the assets of any investment company or stock broker doing business in this State are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable or unauthorized manner, or is jeopardizing the interest of its stockholders or investors in stocks, bonds, or other securities by it offered for sale, or whenever any investment company or stock broker shall fail or refuse to file papers, statements or documents required by this act, without giving satisfactory reasons therefor, said Corporation Commissioner shall at once cancel its permit and if he shall deem advisable shall communicate such facts to the Attorney General, who shall thereupon at once make an investigation, and if the facts as presented to him by the said Corporation Commissioner are substantiated, he shall thereupon apply to a court of competent jurisdiction for the appointment of a receiver to take charge of and wind up the business and affairs of such investment company or stock broker, and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require. [Laws 1913, Chap. 341, page 676.]

§ 22. Distributing Stocks, Etc., for Promotion, or

Paying Dividends Prohibited Without Permit  
from Commissioner.

It shall be unlawful for any investment company after it has been granted a permit under the provisions of this Act, to issue, sell or distribute any stocks, bonds or other securities for promotion or for any other causes, or on any other conditions than those set forth in its application, without first securing the approval of the Corporation Commissioner therefor. Neither shall it be lawful for any investment company, after it has been granted a permit under the provisions of this act, to pay any dividends in stocks, bonds or other securities without the approval of the Corporation Commissioner.

[Laws 1913, Chap. 341, page 677.]

§ 23. Making False Statements Prohibited.

Any person who shall knowingly or willfully (1) subscribe to or make or cause to be made any false statements or false entry in any book of any stock broker or of any investment company, foreign or domestic, or (2) exhibit any false paper with the intention of deceiving any person authorized to examine into the affairs of such stock broker or investment company, (3) make, or publish any false statement of the financial condition of such investment company, or the stocks, bonds or other securities by it offered for sale, shall be deemed guilty of a felony, and upon conviction thereof shall be fined not less than \$200 nor more than \$10,000, or shall be imprisoned for not less than one year nor more than ten years in the State Penitentiary, or both such fine and imprisonment, at the discretion of the court. [Laws 1913, Chap. 341, page 677.]

§ 24. Penalty for Violation of Blue Sky Law.

Any person or persons, agent or agents, investment company or stock broker who shall violate any of the provisions of this act shall be deemed guilty of a felony and upon conviction thereof shall be fined for each offense not less than \$100 nor more than \$10,000, or by imprisonment in the State Penitentiary for not less than ninety days nor more than one year, or by both such fine and imprisonment, at the discretion of the court. [Laws 1913, Chap. 341, page 677.]

§ 25. Fees Collected to be Turned Over to State Treasurer to be Kept as a Special Fund and Out of Which Salaries are to be Paid.

All fees herein provided for shall be collected by the Corporation Commissioner and by him shall be turned into the State Treasury; and all fees so turned into the State Treasury shall be credited to a special fund to be known as the Corporation Fund, which is hereby created and set aside for the purpose of paying all salaries and expense incident to the conduct of the Corporation Department and necessary for carrying this Act into full force and effect. [Laws 1913, Chap. 341, page 677.]

§ 26. Banking and Insurance Departments Not Affected by This Act.

Nothing in this Act shall be construed to repeal or modify the laws heretofore enacted giving the State Banking Department control of and supervision over corporations, individuals or co-partnerships engaged as their principal business in banking, as defined in Chap-

ter 171, Laws of 1911, and amendments thereto; nor shall any part of this act be construed to restrict in any manner the authority of the Department of Insurance of the State of Oregon, to supervise and control the formation and operation of corporations, individuals, or co-partnerships engaged in the transaction of an insurance business of any character, and which heretofore have been under the supervision of the said Department of Insurance of the State of Oregon. [Laws 1913, Chap. 341, page 677.]

§ 27. Commissioner Must Keep Records of All His Acts and Make Annual Reports to Governor.

The Corporation Commissioner shall keep as records of his office books showing all acts, matters and things done by him under the provisions of this act. Annually, on or before the first day of November, the Corporation Commissioner shall transmit to the Governor a report containing an accurate review of the work of the department for the fiscal year ending June 30th, preceding the date of said report, and which shall include the number of corporations, companies and associations of record in the department, the number of those dissolved and chartered during the year, the total amount of receipts and disbursements, and other material facts in connection therewith. The records of the Corporation Department shall be public records, and information shall be furnished to any one affected by the corporation laws, upon application therefor, except that the Corporation Commissioner may, in his discretion, withhold information relating to the private affairs of solvent corporations when in his judgment the same shall not be required



for the public welfare. [Laws 1913, Chap. 341, page 678.]

§ 28. Seal of Corporation Department.

The Corporation Department shall adopt a seal with the words "Corporation Department, State of Oregon," and such design as the Commissioner may prescribe engraved thereon, by which it shall authenticate its proceedings. Copies of all records and papers in the office of the Corporation Department, certified by the Commissioner and authenticated by the seal of the Department, shall be received in evidence in all cases equally and with like effect as the original. [Laws 1913, Chap. 341, page 678.]

**Exhibit B.**

**STATE OF OREGON  
CORPORATION DEPARTMENT**

Salem, Oregon, March 1, 1914.

The following is a list of the companies to which permits have been granted by the Corporation Department of the State of Oregon, up to and including February 28, 1914:

**A**

Abernethy Heights Water Co.  
Harvey Adams Lumber Co.  
Advance Amusement Co.  
Agency Plains Telephone Co.  
Ahlstrom & Gunther  
Alaska Coal Oil Co.

Alaska Shamrock Marble Co.  
Albany Commission Co.  
Albany Sand and Gravel Co.  
Albany Steam Laundry.  
Alber Bros. Milling Co.  
Albina Fuel Co.  
Albina Investment Co.  
Albina Livery and Express Co.  
Alder Investment Company  
Albritton Townsite Co.  
Alco Investment Co.  
F. C. Allen & Co.  
Althouse Placer Company  
American Life & Accident Ins. Co.  
American Realty Co.  
American Sign Co.  
Ames Bag Machine Co.  
Anderson-Klockors Co.  
Anglo-Pacific Realty Co.  
The Antlers Theatre Co.  
Applegate Valley Telephone Co.  
The Armstrong Manufacturing Co.  
Ashland Fruit & Produce Assn.  
Ashland Iron Works  
The Ashland Trading Co.  
Associated Development Co.  
Associated Security Co.  
Astoria Dry Goods Co.  
Astoria Grocery Co.  
Astoria Hardware Co.  
The Atchison-Allen Co.

Automatic Call & Advertising Clock Co.

Automatic Sprinkler Finance Co.

The Auto Top Co.

B

The B. & M. Supply Co.

Baker City Implement Co.

Baker City Packing Co.

Baker Mill & Grain Co.

Baker Players, Inc.

Baker Mines Company

Baldwin Sheep Company

Bandon Clay Products Co.

Bandon Construction Company

Bandon Farmers' & Merchants' Telephone Co.

Bandon Orchard Co.

Bandon Power Co.

Bandon Water Co.

Bankers Investment Co.

Bankers Mortgage Corporation

Barnes-Lindsey M'f'g Co.

Barnhart Investment Co.

Barrett Estate

The Bartle Sweany Co.

Bartlett, Sells & Hatfield Mfg. Co.

Battle Creek Telephone Co.

Bay City Land Co.

Bayocean Natatorium Co.

The Bazar

Beacon Investment Co.

Beaux Arts Building Co.

The Beaver Department Store

Beaver Lake Club  
Beaver Portland Cement Co.  
The Beaver State Hotel Corporation  
Beaver State Motor Company  
Beavis May Oil Co.  
Behnke-Walker Business College  
The Bentley Telephone Co.  
Bethel Telephone Co.  
Big Bend Threshing Company  
Big Hill Coal Mining Co.  
Blachly & Deadwood Telephone Co.  
The J. R. Blackaby Commercial Co.  
O. S. Blenchard Investment Co.  
Bland Acreage Syndicate  
Blue Mountain Creamery Co.  
Board of School Trustees  
Boss Wrench Company  
Boone-Skinner & Co., Inc.  
The Booth-Kelly Lumber Co.  
Boyajohn-Arnold Company  
The Sam Boyer Co.  
Bradley Candy Co.  
C. J. Breier Company of La Grande  
Bright Building & Investment Co.  
Broadway Dye and Cleaning Works  
Brookfield Investment Co.  
Wm. Brown & Co., Inc.  
The Browning Company  
Bruce Hot Water Circulator Co.  
Buena Vista Power and Irrigation Co.  
Building & Loan Land Co.



The Bungalow Co.  
Burnside Company  
Burkholder-Woods Co.  
D. C. Burns Co.  
Butte Falls Prune Growers Assn.  
Butterworth-Stephenson Co.

C

Canby Canning Company  
Cary's Mercantile Company  
The Calapooya Springs Co.  
Calef Bros.  
The California and Oregon Coast Railroad Co.  
Geo. S. Calhoun Company  
Campbell-Frank Segar Co.  
Camp Creek Water Co.  
Capital Investment Company  
The Capital Normal School  
Carpenter Fence Post Co.  
Carstens Packing Co.  
Cascade Water Co.  
The Castilloa Rubber Plantation Co.  
The Cecilia Building Co.  
Centennial Investment Co.  
Central Oregon Live Stock and Agricultural Assn.  
Central Point Telephone Co.  
Central Sash, Door M'f'g Co.  
Central Transfer Co.  
Chase and Linton Gravel Co.  
Chemical Products Co. of Oregon  
The Cherry City Investment Co.  
Cheshire, Dohs Poultry & Supply Co.

Christensen Concentrating Co.  
Church & School Publishing Co.  
Citizens Commercial Co.  
City Iron Works  
City Realty Co.  
Clatskanie Co-operative Creamery Co.  
Clatsop County Co-operative Cheese Assn.  
Clatsop County Land Investment Co.  
Claypoole Investment Co.  
Clear Creek Mutual Telephone Co.  
Cleveland Coles Valley Telephone Co.  
Cleveland Development Co.  
Colonial Security Co.  
Columbia Awning & Shade Co.  
Columbia County Lumber Co.  
Columbia Harbor Wharf and Warehouse Co.  
Columbia Milling Co.  
Columbia Telephone Co.  
The Commercial Advertising Co.  
Commerce Safe Deposit and Mortgage Co.  
Concordia Building Assn.  
Condon Electric Co.  
Connecticut Mortgage Co.  
Consolidated Contract Company  
Consolidated Life Insurance Co.  
Co-operative Drainage Assn.  
Coos Bay Brick & Clay Mfg. Co.  
Coos Bay Home Telephone Co.  
The Coos Bay Land & Investment Co.  
Coos Bay Ice and Cold Storage Co.  
Coos Bay Mill Co.

Coos County Meat Company  
Coos and Curry Land Co.  
Coos River Transportation Co.  
Coquille River Fishermen's Co-op. Canning Co.  
Coquille Tow Boat Company  
Coquille Valley Fruit Growers Assn.  
Coquille Valley Telephone Co.  
Country Club Orchard Company  
Corvallis Independent Telephone Co.  
Craven Hardware Company  
The Cream Store  
Crystal Laundry Company  
Culver Potato Warehouse Co.  
Culver Warehouse Co.  
Curry County Abstract-Realty Co.

D

Dallas Development Co.  
The Dalles Fruit Growers Assn.  
Dallas Hospital  
Dallas Iron Works  
Dallas Mercantile Co.  
Darden-Garden Fruit Co.  
Dayton Evaporating & Packing Co.  
Dayton Manufacturing Co.  
The Devils Gate Mining Co.  
The Dingman Co.  
Donald Nursery Co.  
The Nancy Donaldson Mining Company  
The Douglas County Building and Loan Assn.  
Douglas County Light & Water Co.  
Douglas Creditors Assn.

Douglas-Umpqua Mining Co.  
 Drain Water Co.  
 Dufur Orchard Co.  
 Dufur Valley Fruit Growers Union  
 Dundee Co-operative Fruit Growers & Packers  
 The Frank E. Dunn Co.

## E

Eagle Drug Company  
 Eagle River Electric Power Co.  
 East Side Planing Mill  
 East Alder Investment Co.  
 East Side Funeral Directors  
 Eastern Liquor Company  
 Eastern Manufacturing Co.  
 Eastern Oregon Brewing Co.  
 Eastern Oregon Co-op. Telephone Assn.  
 Eastern Oregon Light and Power Co.  
 Eastern Oregon Produce Co.  
 Eastern Oregon Realty Co.  
 Echo Auto Company  
 Echo Mercantile Co.  
 Edenbower Orchard Land Co., Inc.  
 Eden Valley Power Co.  
 Eggermont Orchard Company  
 Elcar Desk Manufacturing Co.  
 Electric Steel Foundry  
 Elgin Commission Company  
 Elgin Fruit & Development Co.  
 Elgin Warehouse Co.  
 El Jebel Dairy Farm  
 Elk Creek Lumber Co.



Elppa Orchard Company  
Enterprise Electric Company  
Enterprise Planing Mill Co.  
Empire Investment Co., Inc.  
Eola Hills Walnut Assn.  
Equitable Savings & Loan Assn.  
Equity Warehouse Company  
Eric-Oregon Fruit Co.  
Eriksen Hardware Company  
The Errol Heights Railway Co.  
Estacada Fruit Growers Assn.  
The Estacada Progress  
Euclid Investment Company  
Eugene Country Club  
Eugene Fruit Growers Assn.  
Eugene Planing Mill Co.  
Eugene Woolen Mill Co.  
Evergreen Cemetery  
Ewauna Box Company  
Ewbank Electric Transmission Company

F

Fairview Telephone Co.  
The Farmers Independent Telephone Co.  
Farmers Irrigating Co.  
Farmers Mutual Telephone Co.  
Farmers Mutual Warehouse Co.  
Farmers Union Grain Agency  
Farmers Union Store  
Farmers Union Warehouse Company of Ione  
Fernwood Dairy  
Fidelity Copper Company

Fidelity Finance Co.

Field and Poorman Auto Truck Co.

Finnish Meat Market, Inc.

Finnish Mercantile Co.

Fir-Pine Lumber Company

The Firwood-Dover Telephone Co.

Henry Fleckenstein & Co.

The Fletcher Investment Co.

The Foard & Stokes Hardware Company

Food Products Company

Forest Grove Fruit Growers Assn.

Forest-Hill Investment Co.

Forest Grove Planing Mill

Fossil Milling and Electric Light Co.

Fossil Telephone Company

Foster-Moore Co.

Freeborn & Company

The Frigorific Company

## G

Galloway Telephone Company

Gardiner Light & Power Co.

Gem Consolidated Gold Mining Co.

George Inlet Packing Company

Gerlinger Motor Car Company

Glacier Irrigating Company

Gladstone Lumber Company

W. B. Glafke Co.

Glide Building Association

Mollie Gibson Gold Mining and Milling Co.

Gold Beach Water, Light and Power Co.

The Golden Glow Milling Co.

The Golden Rule Mercantile Co.  
Gordon Investment Company  
Government Mineral Springs Hotel Co.  
Grand Army Hall Association  
Grant County District Agricultural Society  
Grant County Mercantile Co.

## H

Grants Pass Fruit Association  
Grants Pass Feed Company  
Grants Pass Rochdale Co.  
The Grants Pass Holding Co.  
Great Southern Railroad Co.  
Green Mountain Copper Co.  
Gresham Realty & Investment Co.  
Guaranty Investment Corporation  
Hair-A-Gain Company  
Hammond Mortgage Company  
The Hampstead Company  
The Hanthorn Building Co.  
Harbor Land Company  
Harborton Water and Land Co.  
The Hardwood Milling Co.  
Harvey Mills Company  
The Hart Cigar Co.  
J. E. Haseltine & Co.  
Hawley Pulp and Paper Co.  
Hawthorne Grocery Co.  
Hawthorne Avenue Stables  
Hawthorne Bracket Co.  
Hawthorne Syndicate  
The Heavens Company

Heights Telephone Company  
Heinecke Brothers Company  
Heppner Farmers' Union Warehouse Co.  
Hermiston Farmers Exchange  
Hermiston Produce & Supply Co.  
Hibernian Building Assn.  
Hicks-Chatten Engraving Co.  
Highland Improvement Co.  
Highland-Surprise Consolidated Mining Co.  
Hilgard Lumber Co.  
Hillsboro Garden Tracts  
Hillsboro Telephone Co.  
Hofius Equipment Company  
The Holdman Telephone Co.  
Holloway's Farmers Store  
Holly Condensed Milk Co.  
E. H. Holt Piano Co.  
Home Builders Association of Stanfield  
Home Building and Realty Co.  
Home Independent Telephone Co.  
Home Telephone and Telegraph Co.  
Hood River Apple Growers Union  
Hood River Apple Vinegar Co.  
Hood River Orchard Company  
Hood River W. O. W. Hall Asn.  
Hooper-Mayo Co.  
Hotel Marion Company  
Hot Lake Springs Company  
Humbolt Consolidated Gold Mines  
The Humphrey Memorial Methodist Episcopal Church  
of Eugene, Oregon  
Hydraulic Mines Development Co.



I

Ideal Tea Company  
Imbler Storage Company  
Imperial Farm Co.  
Independent Telephone Co.  
Inland Grain Growers Assn.  
Interior Engineering Company  
Interior Warehouse and Grain Company  
International Booking Agency  
International Cooling Company  
International Dental Appliance Co.  
International Jewel Company  
Inter-State Logging Co.  
The International Mining & Milling Co.  
Interstate Theatre Company  
Interurban Telephone Co.  
Investment Realty Abstract Co.  
Investors Association  
Iowa-Medford Orchard Company  
I. O. G. T. Hall Association  
The Irwin-Hodson Company

J

Jackson County Building & Loan Assn.  
Jacksonville Conserving Co.  
Japanese Savings Association of Hood River  
Jeffery & Bufton  
Johnson-Bradford Safe Co.  
Johnson-Gulovson Co.  
Johnston Inc.  
Jones Cash Store  
Jones Market

Josephine Grocery Company

Josephine Hotel Company

Joseph Light and Power Co.

K

Andrew Kan Asiatic Importing Co.

J. M. Keister & Company

Kellogg Compensating Car Truck Co.

C. M. Kidd & Company

Kilham Stationery & Printing Co.

The W. F. King Company

Kenwill Telephone Company

The Kilgore Company

King & Caples Mercantile Co.

The Kingman Colony Irrigation Co.

The King-Smith Department Store

Klamath Hardware Company

Klamath Fuel Company

Klamath Hospital Assn.

Klamath Woodenware Co.

Klickitat Mineral Springs

R. H. Knight Company

Knight Shoe Company

Kokeel Kanu Klub

Korinek Veterinary Remedy Co.

Kospar Investment Company

L

Lafayette Building & Leasing Co.

La Grande Grocery Company, Inc.

Land Products Company

The Lakeview Ranch

Lawyers Title & Trust Co.

Leasing and Milling Company No. 1

The Lebanon Mutual Telephone Co.

Lehman and Clough Co.

Lewis River Lumber Company

Lewiston Land and Water Company, Ltd.

The Lewiston-Sweetwater Irrigating Co., Ltd.

Liberty Copper Mining Company

Lionite Powder Company

Lincoln-Tillamook Timber Co.

Linnhaven Orchard Company

Linnton Bowling Club

Linnton Publishing Company

Linnton Quarry Company

Lipman, Wolfe & Co.

Lower Columbia Agricultural Co.

Lucky Four Mining Company

Luckiamute Rural Telephone Co.

Lumbermens Trust & Savings Bank

Lunaburg, Dalton & Co.

## M

McCarty & Co., Inc.

McCully Mercantile Co.

W. E. McIlhenny Co.

The McMinnville Building and Improvement Co.

Jas. McI. Wood & Company

McMinnville Local & Long Distance Telephone Co.

W. H. McMonies & Co.

McPherson-Ginser Co.

M. M. Company

Maccabee Building Assn. of Linton, Oregon

The Madras Union Warehouse Co.  
Madras Wool Growers' Storage Co.  
The Malheur and Baker County Telephone Co.  
The Mallory Agency, Inc.  
Marion County Land & Investment Co.  
The Marshfield Cigar & Tobacco Co.  
Marswell Savings & Investment Co.  
The Masonic Bldg. Assn. of Tillamook  
Emanuel May Investment Co.  
Meadowbrook Orchard Company  
Meadow Valley Land and Investment Co.  
Medford Implement Company  
Metropolitan Laundry Co.  
The Meister Co.  
L. B. Menefee Lumber Co.  
Merchants Law & Collection Co., Inc.  
The Metropolitan Investment & Improvement Co.  
Metropolitan Realty Co.  
Mexican Rubber Culture Co.  
The Miami Valley Creamery Co.  
Michigan-Oregon Logging Co.  
Midvale Opera House Company  
Miller Bros. Steelsmith Co.  
Mills Addition Improvement Co.  
Miriam Investment Company  
Milwaukie Investment Company  
Minnesota Log and Lumber Company  
Minook Gold Dredging Company  
Mission Tea Company  
The Mitchell Drug Co., Ltd.  
Mitchell Point Lumber Co.



Molalla Electric Co.  
Molalla Irrigation Co.  
Molalla Telephone Co.  
R. J. McIsaac & Co.  
The Molson Hop Farm Co.  
Monarch Coal Company  
Monks-Sherry Engineering Works  
Monitor Orchard Company  
Geo. W. Moore Lumber Co.  
Morgan, Fliedner & Boyce  
Moro Hardware and Implement Co.  
Mosier Development Company  
Mount Hood Hotel Company  
Muir & McDonald Co.  
Multnomah Amateur Athletic Club  
Multnomah & Clackamas County Mutual Telephone Co.  
Multnomah County Fair  
Multnomah Iron Works  
Multnomah Mortgage Company  
Multnomah Warehouse Co.  
Mutual Realty Company  
Mutual Savings & Loan Assn.  
Mt. Angel Brick & Tile Co.  
Mt. Angel Telephone Co.  
Mt. Baker Mining Co.  
Mt. Hood Water Company  
Mr. Hood Co-operative Creamery Assn. of Oregon  
Mt. Scott Mutualist Assn.  
Mt. Vernon Irrigation & Power Co.  
Multnomah Amateur Athletic Club  
Myrtle Point Transportation Co.

## N

Nelson Iron Works, Inc.  
Nehalem Telephone Company  
Nehalem Harbor Company  
Newport Ice & Fish Co.  
Newberg Co-operative Growers Assn.  
Newberg Telephone Co.  
New Era Land and Investment Co.  
Newberg Hardware & Plumbing Co.  
Newberg M'f'g & Construction Co.  
Nickum & Kelly Sand and Gravel Co.  
Nisbeth Sanitarium  
Normandee Land and Improvement Co.  
North Albany Land Co.  
North American Land Co.  
North Coast Contract Co.  
North End Telephone Co.  
The Northwest Butter & Produce Co.  
Northwestern General Trading Company  
Northwestern Investment & Mtg. Co.  
North Yamhill Water Co.  
Norton & Hansen Stationery Co.  
Nyebeach Amusement Club

## O

The Oakdale Land-Investment Co.  
Observer Printing Co.  
Occidental Warehouse Co.  
Ocean Beach Land Co.  
The O. K. Barber Shop  
Ogle Mountain Mining Co.

Olds, Wortman & King  
Ontario Hardware Co.  
Orchard Care Company  
The Orchard Homes Telephone Co.  
Oregon City Enterprise  
Oregon Gold Prospecting and Promoting Co.  
Oregon Grocery Co.  
Oregon Printing Company  
Oregon Securities Company  
Oregon Apple Orchards Co.  
Oregon Bond & Mortgage Co.  
Oregon Bridge & Construction Co., Inc.  
Oregon-California Auto Co.  
Oregon Cement Sewer Pipe & Tile Co.  
Oregon City & Farmers Independent Telephone Co.  
The Oregon Co-operative Mercantile Assn.  
Oregon Denison Block Co.  
Oregon Dental Supply Co.  
Oregon Gas & Electric Company  
The Oregon Granite Co.  
Oregon Hardware Company  
Oregon Hassam Paving Co.  
The Oregon Home Builders  
Oregon Investment Co., Inc.  
The Oregon Iron and Steel Co.  
Oregon Japanese Savings & Enterprise Co.  
Oregon Kansas Timber Co.  
Oregon Land & Livestock Company  
Oregon Logging and Timber Co.  
Oregon Lumber and Construction Co.  
Oregon Nursery Company

Oregon Realty Company  
Oregon Realty & Trust Co.  
Oregon Sand & Gravel Company  
Oregon Taxicab Company  
The Oregon Title & Trust Co.  
Oregon Walnut & Filbert Co.  
Oregon & Washington Lumber Co.  
Oregon-Washington Telephone Co.  
Oregon-Washington Underwriters, Inc.  
Oregon-Wisconsin Timber Holding Co.  
Oregon Yellow Fir Timber Co.  
Osborn Hotel Company

## P

Pacific Incorporators Company  
Pacific Coast Cone Co.  
Pacific Face Brick Co.  
Pacific Furniture Specialties Mfg. Co.  
Pacific Grocery Co.  
Pacific Land, Loan & Timber Co.  
Pacific Metal Works of Oregon  
Pacific Specialty Company  
Pacific States Fire Insurance Co.  
Pacific Stationery and Printing Co.  
Pacific Tank & Silo Company  
Panama Building Co.  
Parkersburg Telephone Co.  
Parrett Mountain Telephone Co.  
Patrick's  
C. E. Pearce & Co., Incorporated  
The Peerles Air Motor M'f'g Co.  
Pendleton Wool Scouring and Packing Co.



Peiffer Bros. Leather Company  
Peninsula Sand & Gravel Co.  
The People's Company  
Peterson & Sleret Co., Inc.  
Phegley & Cavender  
Philomath Farmers' Creamery Company  
Pioneer Hardware Co.  
Point Terrace Mill & Lumber Co.  
Polk County Oil, Gas, Coal and Land Co.  
Polk County Telephone Co.  
Portland Bolt & Manufacturing Co.  
Portland Butter & Produce Co.  
Portland Central Heating Co.  
Portland Concrete Pile Co.  
Portland Cricket Club Assn.  
Portland Gas & Coke Co.  
Portland Gun Club  
Portland Ice Hippodrome  
Portland Knitting Co.  
Portland Lumber Co.  
Portland Mausoleum Co.  
Portland Mexican Hardwood Company  
Portland Mutual Savings Co.  
Portland Natatorium Company  
Portland and Oregon City Railway Co.  
Portland Paper Box Company  
Portland Police Band  
Portland Pure Milk & Cream Co.  
Portland Remedial Loan Assn.  
Portland-Seaview Cranberry Co.  
Portland Social Turn Verein

Portland Trunk Manufacturing Co.

Portsmouth Land Co.

Potlatch Coal Co.

Prineville Land & Livestock Co.

Prineville Mercantile Company

Pringle Falls Electric Company

Prouty Lumber and Box Co.

Protected Cove Orchards

Provident Trust Company

Prudential Realty Corporation

Purified Oil Company

Q

J. J. Quinland Company, Inc.

Quongyick Land Co.

R

Rader Brothers Company

The Raecolith Company

Railway Exchange Cigar Co.

Realty Associates of Portland

Red Clover Creamery

C. A. Richards Company

Richards Hotel Company

Richardson Investment Co.

Riverside Irrigation and Power Co.

Riverside Rural Telephone Co.

Rodeo Amusement Assn.

The Rogers and Swinden Mfg. Company

Rogue River Fruit & Produce Assn.

Rogue River Salmon Packers

Rogue River Water Company of Grants Pass

Rogue Valley Creamery  
Roseburg Building Homes Assn.  
Rose City Importing Company  
Rose City Laundry Co.  
Rose City Park Club  
Rose City Park Grocery  
Roseburg Rochdale Co.  
Royal Arms Company  
Royer Implement Co.  
G. P. Rummelin & Sons  
Rural Oregonian Publishing Co.  
Russell & Gilbert Co.

S

Salem Brewery Assn.  
Salem Fairfield Telephone Assn.  
Salem Fruit Union  
Salem Sand & Gravel Co.  
Salem Water, Light & Power Co.  
Sams Valley Local Telephone Co.  
The Sand Gulch Mining Co.  
Sanitary Market Co.  
Santiam Woolen Mills  
Saratoga Investment Co.  
St. Johns Land Company  
St. Helens Lumber Co.  
Sterling Furniture Company  
Schanen-Blair Co.  
Scio Condensed Milk Co.  
Seaside Light and Power Company  
Seaside Knights of Pythias Building Corporation  
The Security Land & Savings Company

Sellwood Dock Co.

Ross Sharp Company

Security Realty Syndicate

Schools Telephone Company

The C. A. Shultz Manufacturing Company

Shepard and Gearin, Inc.

Schwab Investment Company

Sheridan Lodge No. 46, Ancient Free & Accepted  
Masons

The Scott Company

Sheridan Loganberry Co.

The Sheridan Timber Co.

Sherwood Telephone Co.

The Shiria Lumber Co.

Shuholm Company

Sigma Nu Alumni Assn., U. of O.

Silver Falls Timber Co.

Silverton Hop Growers Warehouse Assn.

The Silverton Creamery & Ice Co.

Siuslaw Creamery Association, Inc.

The Frank L. Smith Meat Co.

Smith River Mutual Telephone Co.

The Simpson Logging Co.

Smiths Incorporated

Smith & Umpqua Rivers Co-op. Creamery Co.

Southern Curry Telephone Co.

Southern Oregon Broom M'f'g Co.

The South Gem Mining Co.

South West Side Water Co.

Southwestern Warehouse Co.

Springbrook Canning Company



The Spring Valley Telephone Co.  
Sroat, Evans & Martin  
Standard Liquor Co.  
The Star Flouring Mills  
St. Johns Sanitarium  
Sterling Stone Company of Portland  
Stoddard Lumber Company  
Sublimity Dairy Association  
Sublimity Telephone Co.  
The Suburban Company  
Summit Timber Co.  
Sunset Creamery Company  
Sunset Fruit Co.  
The Sutherlin Fruit Growers Assn.  
Sutherlin Mercantile Co.  
Svensen Development and Investment Co.  
J. M. Sweek & Co.  
Sweet Home, Foster and Cascade Tel. Co.  
Sweet Home Mountain Water

## T

Taft Mercantile Co.  
Talent Coal Co.  
Taylor-Knobel Co.  
Taylor-Williams Co.  
The M-H Terminal and Investment Co.  
Ten Mile Telephone Co.  
Texas-Oregon Power and Placer Mining Co.  
Thermodyne Co.  
Charles H. Thompson Co.  
Thomsen & Company  
The Three Lodes Mining Co.

Tigardville Telephone Co.

Tillamook Bay Fish Co.

Tillamook Co-operative Fish Co.

Tillamook Electric Light & Fuel Co.

Tillamook Mercantile Co.

Timber Power & Development Co.

Title and Trust Company

Tokay Heights Development Co.

Tourist Bed Company

The Tree Faller & Cutter Co.

Three Ridge Telephone Co.

Trinity Place Investment Co.

Troutdale Masonic Hall Assn.

Tualatin Valley Water Co.

Turner Electric Light & Power Co.

Turner Mercantile Co.

Turner Telephone Co.

## U

Umbdenstock and Larsen Home Builders Investment  
Co.

The Umpqua Power, Light and Ice Co.

The Umpqua Valley Investment Co.

Underwriters Loan and Investment Co.

Union Abstract Co.

Union Abstract Co. of Portland

Union Building Co.

Union Fishermen's Co-operative Packing Co.

Union Leader Mining Co.

Union Lodge No. 43, A. F. & A. M.

Union Pacific Life Ins. Co.

The Union Pine Lumber Co.

The United Shop  
United States Commerce Co.  
Union Supply Company  
University Club

V

V. & W. Telephone Co.  
Vale Hardware Co.  
Vale Hot Springs Co.  
Vale Improvement Co.  
Vale Trading Co.  
Valley Falls Mercantile Co.  
The Valley Heating & Plumbing Co.  
Valley and Siletz Railroad Co.  
Valley Telephone Co.  
Vanderbilt Orchard Lands Co.  
Van Koughnet & Reder  
Villa St. Clara Apartments  
Village Inn Cafeteria

W

Wagoner & Company  
Walk Over Boot Shop  
Wallowa Athletic Assn.  
M. J. Walsh Company  
Washington St. Public Market  
Watkins Coal Company  
M. Weil Company  
West Coast Specialty Company  
Western Corporation  
Western Engineering Works  
Western Loan & Building Co.

Westfall Valley Telephone Co.  
 Westover Company  
 West Oregon Lumber Co.  
 West Shore Oil Co.  
 West Stayton Canning Company  
 West Stayton Power & Railway Co.  
 Western Bond & Mtg. Co.  
 The Western Sales Co.  
 Wheeler Lumber Co.  
 Wherity, Ralston & Co.  
 Willamette Realty Company  
 Willamette Valley Irrigated Land Co.  
 Willamette Valley Acreage Co.  
 Willamette Valley Mortgage Co.  
 Williams Bros. Door & Lumber Co.  
 Willis-Johnstone Co.  
 The Willow Creek and Cow Valley Tel. Co.  
 Wilberg-Oppegard Investment Company  
 Windle Investment Co.  
 Woodard Wagon Road Co.  
 Woodburn Bottling Works  
 Woodlawn Mutualist Assn.  
 Woodside-Troost Co., Inc.  
 Woolgrowers Warehouse Co.  
 J. A. Wuest Co.

# Y

Yamhill County Mutual Telephone Co.  
 Yamhill Development and Improvement Co.  
 Yaquina Electric Company

This includes the entire list of companies whose



stocks, bonds, or other securities have been passed upon by the Corporation Department up to and including February 28, 1914. Any investment company, or agent thereof, or stock broker, or agent thereof, or person, who shall take subscriptions for, or issue, or sell or negotiate for the sale of any other securities than those listed above (except the stock of state and national banks located in this State, bonds of the United States and foreign governments in good standing, State or municipal bonds, or mortgages upon real property where the entire mortgage is sold and transferred with the notes secured by such mortgages, and securities listed in current Standard Manuals of Investment) will do so in violation of Chapter 341, G. L. 1913, and be subject to the penalties of the Act.

Very sincerely,

R. A. WATSON,

Corporation Commissioner.

**Exhibit C.****PRELIMINARY STATEMENT OF CORPORATION DEPARTMENT.**

Sheet 1

**PRELIMINARY REPORT—Sheet 1****PRELIMINARY STATEMENT****OF**

.....

**TO THE**

**CORPORATION DEPARTMENT OF THE**

**STATE OF OREGON**

Made as of....., 191....

I. Is this Statement made by a corporation, co-partnership or company, association or person? As owner, or by lessee, trustee, or receiver (appointed by any court whatsoever)?.....

.....

.....

.....

.....

II. Give the legal name, IN FULL.....

.....

If a corporation, under the laws of what state or county organized, and when:.....

.....

The location of the principal office: .....

### III.

Officers		Name	Post Office Address
President	.....	.....	.....
Secretary	.....	.....	.....
Treasurer	.....	.....	.....
Attorney	.....	.....	.....
Directors:	1.	.....	.....
	2.	.....	.....
	3.	.....	.....
	4.	.....	.....
	5.	.....	.....
	6.	.....	.....
	7.	.....	.....
	8.	.....	.....
	9.	.....	.....
	10.	.....	.....

Name and post office address of chief officer or managing agent, or attorney in fact:

Name, .....

Title, .....; P. O. Address.....

Name and post office address of officer or agent or person within the State of Oregon with whom correspondence should be had regarding this report and who should be addressed generally in communications, notices, etc., from the Corporation Department of the State of Oregon:

Name, .....

Title, ..... P. O. Address.....

IV. Attach hereto, marked "Exhibit A", a statement showing in full detail the nature of and plan upon which it is proposed to transact, or is transacting busi-

ness, and the purposes for and terms upon which its securities are being, or will be sold, and the plan adopted for their sale.

V. Attach hereto, marked "Exhibit B", copies of all forms of contracts, bonds, or other instruments used, or which it is proposed to use, in dealing with the public, certified to the effect that the copies of the contracts are true and correct copies of each contract made, or which will be made, with any person, officer, agent or representative of the investment company for the sale of its stock, and that there are no agreements, understandings or contracts, either verbal or written, express or implied, by which any one has received, or is to receive, any cash, stocks, securities, or other compensation for the sale of its securities, for its promotion, or for any other causes except as specified in this application and its several exhibits attached, and that all of the stock securities of the investment company will be sold or disposed of for cash or its equivalent, as provided in the contracts attached, except as herein excepted; also, copies of all forms of literature or advertising matter used or to be used.

VI. Attach hereto, marked "Exhibit C", a comprehensive statement showing the financial condition. In listing assets, give the amount, and nature of any and all incumbrances.

VII. Give a statement of the amount and distribution of capital stock, and securities, as per the following table.

(	(Common Stock - \$. . . . .
Authorized Capital - - - (	
(	(Preferred Stock - \$. . . . .

	(Common Stock - \$. . . . .
Issued and Outstanding (	
	(Preferred Stock - \$. . . . .

	(Common Stock - \$. . . . .
Par value, one share - (	
	(Preferred Stock - \$. . . . .

Bonds authorized - - - - -	\$. . . . .
Bonds issued - - - - -	\$. . . . .
Other securities called . . . . ., Authorized,	\$. . . . .
Other securities called . . . . ., Issued, -	\$. . . . .

Total par value held by investment company:

	(Common Stock - \$. . . . .
	(Preferred Stock - \$. . . . .
In the treasury - - - (	
	(Bonds - - - \$. . . . .
	(Other Securities - \$. . . . .

	(Common Stock - \$. . . . .
	(Preferred Stock - \$. . . . .
Pledged as collateral - (	
	(Bonds - - - \$. . . . .
	(Other Securities - \$. . . . .



	(Common Stock - \$. . . . .
	(Preferred Stock - \$. . . . .
In sinking or other funds (	
	(Other Securities - \$. . . . .
	(Bonds - - - \$. . . . .
	(Common Stock - \$. . . . .
Total par value not held (Preferred Stock - \$. . . . .	
by investment company (	
	(Bonds - - - \$. . . . .
	(Other Securities - \$. . . . .
Dividends declared during year past:	

Securities	Rate—Per Cent	Amount
Common Stock . . .	.....	\$.....
Preferred Stock ..	.....	\$.....
Bonds . . . . .	.....	\$.....
Other Securities....	.....	\$.....

A true and complete statement showing the consideration received from the stock issued and outstanding to date:

### COMMON STOCK.

	No. Shares	Actual Value*	Remarks
Actual Cash	.....	.....	.....
Notes . . . . .	.....	.....	.....
Real Estate	.....	.....	.....
Plant . . . . .	.....	.....	.....
Equipment..	.....	.....	.....
Patents . . . . .	.....	.....	.....
Organizing ..	.....	.....	.....
Promotion ..	.....	.....	.....
Commissions	.....	.....	.....

Salaries .....	.....	.....	.....
Dividends ..	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
Totals .....	.....	.....	.....

\*This column should specify the actual amount of cash or notes received, or the actual value of real estate, etc., received in exchange for stock issued, and should correspond with value at which these different items were given in to the company and carried on the books.

### PREFERRED STOCK.

	No. Shares	Actual Value	Remarks
Actual Cash	.....	.....	.....
Notes .....	.....	.....	.....
Real Estate.	.....	.....	.....
Plant .....	.....	.....	.....
Equipment ..	.....	.....	.....
Patents .....	.....	.....	.....
Organizing ..	.....	.....	.....
Promotion ..	.....	.....	.....
Commissions	.....	.....	.....
Salaries .....	.....	.....	.....
Dividends ...	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
Totals .....	.....	.....	.....

### BONDS.

	No. Shares	Actual Value	Remarks
Actual Cash	.....	.....	.....

Notes .....	.....	.....	.....
Real Estate .....	.....	.....	.....
Plant .....	.....	.....	.....
Equipment ..	.....	.....	.....
Patents ....	.....	.....	.....
Organizing ..	.....	.....	.....
Promotion ..	.....	.....	.....
Commissions ..	.....	.....	.....
Salaries .....	.....	.....	.....
Dividends ...	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
Totals .....	.....	.....	.....

VIII. Attach hereto, marked "Exhibit D", a complete and detailed statement showing for what purposes the funds received from the sale of securities have been, or will be, expended. Mention, and set out particularly, the proportion of the securities which have been expended, or it is planned to expend for promotion purposes.

IX. Attach hereto, marked "Exhibit E", a statement describing fully the real estate, plant, equipment, patents, etc., received in exchange for stock or other securities, indicating amount and kind of securities exchanged for each item.

X. Give a true statement of the assets and liabilities of the investment company, as follows:

### ASSETS.

		Write Nothing in This Column
	Amount	
Real Estate .....	\$.....	.....

Bills Receivable .....	\$.....	.....
Accounts Receivable....	\$.....	.....
Cash on Hand.....	\$.....	.....
Cash in Banks.....	\$.....	.....
Other assets as follows..	\$.....	.....
.....	\$.....	.....
.....	\$.....	.....
.....	\$.....	.....
Total .....	\$.....	.....

Exhibit D.

PRELIMINARY STATEMENT OF CORPORATION DEPARTMENT.

Sheet 2.

Preliminary Report—Sheet 2.

LIABILITIES.

	Amount	Write Nothing in This Column
Common Stock Outstanding.	\$.....	.....
Preferred Stock Outstanding	\$.....	.....
Bonds Outstanding.....	\$.....	.....
Mortgages .....	\$.....	.....
Bills Payable .....	\$.....	.....
Accounts Payable .....	\$.....	.....
Sinking Fund or Reserve...	\$.....	.....
Surplus .....	\$.....	.....
Other Liabilities as follows..	\$.....	.....
.....	\$.....	.....
.....	\$.....	.....
.....	\$.....	.....
Total .....	\$.....	.....

XI. Attach hereto, marked "Exhibit F", a true





XIII. Attach hereto, marked "Exhibit G", a true and complete statement of receipts and disbursements for the past .....months, as shown by the

6 or 12

books.

XIV. If a copartnership or association, attach hereto, marked "Exhibit H," a copy of its articles of copartnership or association and all other papers relating to its organization:

If a corporation, organized under the laws of Oregon, attach hereto, marked "Exhibit H," a list of the subscribers to its stock, showing the amount paid by each, and whether in cash or otherwise, and verified copies of all of the other papers pertaining to its organization not otherwise required by law:

If an investment company, organized under the laws of any other state, territory, or government, incorporated or unincorporated, attach hereto, marked "Exhibit H," certified copy of all amended and supplementary articles of incorporation or association, certificates of increase or decrease of capital stock, and all other papers pertaining to its organization.

XV. If such foreign investment company be other than a corporation, it shall execute and file, herewith, a power of attorney in manner and form and with the effect as now provided for foreign corporations by the laws of this State.

XVI. Give following a true statement in regard to the officers and directors of the investment company:

Name	Address	No. Shares and Bonds owned			Actual cash invested in company	Salary per year	Estimate net worth	Time devoted to company
		Common	Pref'd	Bonds				
..... President.	.....	.....	.....	.....	.....	.....	.....	.....
..... Vice President.	.....	.....	.....	.....	.....	.....	.....	.....
..... Secretary.	.....	.....	.....	.....	.....	.....	.....	.....
..... Treasurer.	.....	.....	.....	.....	.....	.....	.....	.....
..... General Manager.	.....	.....	.....	.....	.....	.....	.....	.....
Trustees and	.....	.....	.....	.....	.....	.....	.....	.....
Directors ..	.....	.....	.....	.....	.....	.....	.....	.....
1 .....	.....	.....	.....	.....	.....	.....	.....	.....
2 .....	.....	.....	.....	.....	.....	.....	.....	.....
3 .....	.....	.....	.....	.....	.....	.....	.....	.....
4 .....	.....	.....	.....	.....	.....	.....	.....	.....
5 .....	.....	.....	.....	.....	.....	.....	.....	.....
6 .....	.....	.....	.....	.....	.....	.....	.....	.....
7 .....	.....	.....	.....	.....	.....	.....	.....	.....
8 .....	.....	.....	.....	.....	.....	.....	.....	.....
9 .....	.....	.....	.....	.....	.....	.....	.....	.....
10 .....	.....	.....	.....	.....	.....	.....	.....	.....

XVII. Attach hereto, marked "Exhibit I," a certified copy of the minutes of the Board of Directors accepting and authorizing the information and data, and all of it, given herewith.

### INSTRUCTIONS TO INVESTMENT COMPANIES.

The foregoing preliminary report is required by, and

is framed in accordance with, the following sections of Chapter 341 of the General Laws of Oregon for 1913:

Section 9. It shall be unlawful for any domestic or foreign investment company, or stock broker, or any representative thereof, to sell, offer for sale, take subscriptions for or negotiate for the sale in any manner whatsoever of any stocks, bonds or other securities of any kind or character, other than those specifically exempted from the provisions hereof by this act, without a permit from the Corporation Commissioner, as hereinafter provided.

Section 10. Before securing such permit it shall be necessary for each and every investment company to file in the office of the Corporation Commissioner, together with a filing fee of five dollars, the following documents in addition to those now required by law to be filed by corporations, joint stock companies and associations, in the office of the Secretary of State, to-wit:

(a) A statement showing in full detail the plan upon which it proposes to transact business.

(b) A copy of all contracts, bonds or other instruments which it proposes to make with or sell to its contributors or customers.

(c) A statement which shall show the name and location of the investment company, and an itemized account of its actual financial condition.

(d) The amount of its property and liabilities.

(e) Sample copies of all literature or advertising matter used or to be used by such investment company.

(f) Such other information touching its affairs as said commissioner may require.

If such investment company shall be co-partnership or association, it shall also file with the Corporation Commissioner a copy of its articles of co-partnership or association, and all other papers pertaining to its organization, and if it be a corporation organized under the laws of Oregon, it shall also file with the said commissioner a list of the subscribers to its stock, showing the amount paid by each and whether in cash or otherwise, and verified copies of all the other papers pertaining to its organization not otherwise required by law. If it shall be an investment company organized under the laws of any other state, territory or government, incorporated or unincorporated, it shall also file with the said commissioner a certified copy of all amended and supplementary articles of incorporation or association, certificates of increase and decrease of capital stock, and of all other papers pertaining to its organization, and such other information as the commissioner may require. If such foreign investment company be other than a corporation, it shall execute and file with the Corporation Commissioner a power of attorney in manner and form and with the effect as now or at any time hereafter provided for foreign corporations by the laws of this State. Also there shall be filed in the office of the said commissioner by every domestic and foreign investment company now existing or hereafter organized, copies of its by-laws and all amendments thereof as soon as the same shall be adopted and approved by the said investment company. *Provided*, that the said commissioner may, in his discretion, waive the filing of any of the documents or information required by this section, when the securities to be



sold by the stock broker or investment company are listed in current standard manuals of investment, or when there shall be furnished other evidence of the solvency or reliability of the stock broker or investment company, that shall be satisfactory to the said commissioner.

Section 11. All of the above described papers shall be verified by the oath of a duly authorized member of a co-partnership or association, if it be a co-partnership or association, and by the oath of the president and secretary. If it be incorporated; *provided*, that the Corporation Commissioner shall have the power to require such officers to make affidavits to such other reports or information as he may call for.

Following question XVII, execute the following verification and acknowledgment, in accordance with Section 11, quoted above:

State of Oregon, )  
 ) ss.  
County of ..... )  
....., the undersigned, .....  
 (Name or names)  
.....of the .....  
 (official title or titles)  
being first duly sworn, depose and say: That.....  
.....the duly elected, qualified and acting ..... of the above  
 (official title or titles)  
named investment company; that.....familiar  
with the conduct of it business and its affairs; that.....  
.....have investigated and know its financial



condition; that each and all of the representations in the foregoing statements made, from numbers I to XVII. inclusive, have been prepared by and under their direction; that.....have carefully examined each and all of the said representations; that.....familiar with the subject matter thereof and.....fully competent and qualified to testify as to the truth of the said representations; and that the returns, statements and answers therein are each and all of them true to the best of.....knowledge, information and belief.

In Witness Whereof, . . . . .have hereunto set . . . . .  
hand . . and have caused to be hereunto affixed the  
official seal of the said . . . . .  
. . . . ., at  
. . . . ., on this the  
. . . . .day of . . . . .191..

(Official title)

(Official title)

State of Oregon,                 )  
  ) ss.

County of .....)

On this.....day of ....., 191..  
(Official title or titles)

before me appeared.....to me  
personally known, who, being duly sworn, did say that  
.....the .....  
(Official title or titles)

of ..... and that the seal affixed to said instrument is the corporate seal of said investment company and that said instrument was signed and sealed in behalf of said investment company by authority of its Board of Directors, and said..... acknowledged said instrument to be the free act and deed of said investment company.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal on this the day and year first in this my certificate written.

.....

*Notary Public for Oregon.*

Arrange the statement in due order and staple at the top. Mail it to the undersigned, accompanied by a filing fee of \$5.00, as provided in Section 10, quoted above.

Very respectfully,

R. A. WATSON,  
Corporation Commissioner.

**Exhibit E.**

## APPLICATION OF STOCK BROKER.

*To the Corporation Commissioner of the State of Oregon:*

I, ....., a stock broker, of No.....Street, of the City of..... County of....., and State of Oregon, hereby make application for a permit to do business as a stock broker, in accordance with the provisions and requirements of Chapter 341, General Laws of Oregon for 1913.

## I.

Below find the names and addresses of five men, including two brokers, who will vouch for my sound moral character and good business repute:

Name	Occupation	Address
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

## II.

Below find a statement showing for what length of time, in what capacities, and at what place I have been engaged in the sale of securities:

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

## III.

The statements contained in paragraph II can be verified by the following persons:

Name	Address
.....	.....
.....	.....
.....	.....
.....	.....

IV.

Attached hereto, marked Exhibit A, find a statement of the names, residences, and business addresses of all persons interested with me, as principals, officers, directors, managing or sales agents, and the nature of the interest of each, together with a concise statement of the assets and liabilities of each.

V.

Attached hereto, marked "Exhibit B", find a detailed list of securities handled by me during the month last past, giving the price paid, and the price received, the amount sold, and such explanation in regard thereto as may be desired.

VI.

Attached hereto marked "Exhibit C" find detailed list of securities now held by me, set out in the manner required by Paragraph V.

VII.

I enclose my check for \$5.00 as required by Section 10, of Chapter 341, General Laws of Oregon for 1913.

Signed.....,  
Address.....

**Exhibit F.**

Stock Broker's Monthly Report.

**STOCK BROKER'S MONTHLY REPORT**

TO THE

**CORPORATION DEPARTMENT OF THE  
STATE OF OREGON.**

**PLEASE NOTE**—In making the report, if there is insufficient space under any of the numbered subdivisions to list the securities to be reported, attach the list, according to the form given, and on a separate sheet of paper, and under the heading of the appropriate subdivision, at the end of the report. The Corporation Commissioner will not require the report of transactions in the stocks of State and national banks located in this State, bonds of the United States and foreign governments in good standing, State or municipal bonds, or mortgages upon real property where the entire mortgage is sold and transferred with the notes secured by such mortgages. Reports of transactions in recognized securities listed in Standard Manuals of Investment will not be required.

Stockbrokers dealing only in securities classified as above should file, on the first of each month, a certified statement to the effect that the entire list of securities on hand, and those handled during the preceding month, were in the above classifications and therefore exempt from detailed report.

Monthly reports should be executed on the first day of each month. Continued delay and tardiness in the





## 2—BONDS.

COMPANY NAME	Number Bonds	Description	Listed or pur- chased at	To be sold at	Broker's commission or profit	REMARKS
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

## 3—OTHER SECURITIES.

COMPANY NAME	Amount	Description	Listed or pur- chased at	To be sold at	Broker's commission or profit	REMARKS
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

*I also further report and certify that during the month ending....., 191..., I have handled the following stocks, bonds or other securities.*





*R. A. Watson, Corporation Commissioner, et al.* 163

*Subscribed and sworn to before me on this.....*  
*day of ....., 1913.*

.....  
*Notary Public for the State of Oregon.*

Province of British Columbia, )

Dominion of Canada,    .    )

County of Vancouver.    )

I, George E. Stillings being first duly sworn, depose and say that I am the president of The National Mercantile Company, Limited, plaintiff, in the above entitled suit; and that the foregoing Bill of Complaint is true as I verily believe.

George E. Stillings.

Subscribed and sworn to before me this 14th day of April, 1914.

(Notarial Seal)

N. R. Robertson,

Notary Public in and for the Province of  
British Columbia.

Filed April 20, 1914. A. M. Cannon, Clerk.

And afterwards, to wit, on the 23rd day of April, 1914, there was issued out of said Court in said cause a subpoena ad respondendum which, with the return service thereon and the motion for a preliminary injunction, affidavits and order to show cause thereon, is in words and figures, as follows, to wit:

## SUBPOENA AD RESPONDENDUM.

THE PRESIDENT OF THE UNITED STATES  
OF AMERICA,

To R. A. Watson, Corporation Commissioner, A.



M. Crawford, Attorney General, and Walter H. Evans,  
Dist Atty. in Multnomah County, GREETING:

You, and each of you, are hereby commanded that you be and appear in said District Court of the United States, at the Court Room thereof, in the City of Portland, in said District, on the 13th day of May, A. D. 1914, to answer the exigency of a Bill of Complaint exhibited and filed against you in our said Court, wherein The National Mercantile Company, Limited, a corporation, is complainant, and you are defendants, and further to do and receive what our said DISTRICT COURT shall consider in this behalf, and this you are in no wise to omit under the pains and penalties of what may be all thereon.

And this is to command you, the MARSHAL of said District, or your DEPUTY, to make due service of this our Writ of SUBPOENA AD RESPOND-  
ENDUM and to have then and there the same.

Witness the Honorable CHARLES E. WOLVERTON, Judge of said District Court, and the seal thereof, at Portland, in said District this 23 day of April, A. D. 1914, and of the Independence of the United States, the One hundred and thirty-eighth.

(SEAL)

A. M. CANNON, Clerk.

By F. L. Buck, Deputy.

MEMORANDUM pursuant to Equity Rule No. 12 of  
the Supreme Court of the United States:

The defendant is required to file his answer or  
other defense in the above entitled suit in the office of

the Clerk of said Court on or before the twentieth day after service, including the day thereof; otherwise the Complainant's Bill therein may be taken *pro confesso*.

STATE OF OREGON, )  
 ) ss.

County of Multnomah. )

I, A. D. Baker, being first duly sworn, depose and say:

That on the 22nd day of April, 1914, by order of the Honorable Charles E. Wolverton, Judge of this Court, the deponent was authorized to serve the order in this action, which is hereto attached; and on the 23rd day of April, 1914, by the order of the Honorable Charles E. Wolverton, Judge of this Court, the deponent was authorized to serve the subpoena in this action.

That on the 23rd day of April, 1914, in the City of Salem, County of Marion, State of Oregon, the deponent served the subpoena, bill of complaint, order hereto attached and affidavits upon the defendant R. A. Watson, Corporation Commissioner, by delivering to and leaving with the said R. A. Watson personally a duly certified copy of the said documents, and that the deponent knew the said R. A. Watson so served to be the person mentioned, and to be the Corporation Commissioner of the State of Oregon.

That after due and diligent search and inquiry, I have been unable to find the within named defendant A. M. Crawford within the State of Oregon, and I further certify that I served duly certified copies of the subpoena, bill of complaint, order hereto attached and

affidavits within the State of Oregon on the 23rd day of April, 1914, on the within named A. M. Crawford, Attorney General of the State of Oregon, by delivering the said duly certified copies thereof to Mrs. A. M. Crawford, a white person over the age of 14 years, a person of the family, namely, wife of the said defendant A. M. Crawford, at the dwelling house and usual place of business of the said defendant A. M. Crawford in the State of Oregon.

That on the 24th day of April, 1914, the deponent served the subpoena, bill of complaint, order hereto attached and affidavits upon the defendant Walter H. Evans, being the District Attorney of Multnomah County, State of Oregon, by delivering to and leaving with the said defendant personally a duly certified copy of said documents; and that the deponent knew the person so served to be the person mentioned.

That pursuant to Rule 266 of the judicial code the deponent gave notice, as therein provided, to the Governor and Attorney General of the State of Oregon, by delivering to them and leaving with Oswald West and A. M. Crawford, Governor and Attorney General respectively, in the City of Salem, Oregon, a duly certified copy of the bill of complaint, order and affidavits and notice of hearing, and that the deponent knew the persons so served to be and the Governor and Attorney General of the State of Oregon.

A. D. BAKER.

Subscribed and sworn to before me this 24th day of April, 1914.

(Seal)

GEORGE ROSSMAN.

Notary Public for Oregon.

## MOTION FOR PRELIMINARY INJUNCTION.

To the Honorable Judge of the District Court of the United States in and for the District of Oregon:

The application of the National Mercantile Company, limited, a corporation, the above named plaintiff, shows to this honorable Court as follows:

### I.

That this plaintiff has, in the regular manner, filed herein its complaint, and instituted this cause, the object and purpose being to restrain the defendants and each and all of them from bringing any suit or action, or in any other manner enforcing the provisions of Chapter 341 General Laws of Oregon for 1913, entitled "An Act to protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a Corporation Department to administer this and other laws relative to the regulation and supervision of corporations, and providing penalties for the violation hereof," and that the said Act be decreed to be unconstitutional and void, and of no effect whatsoever; and the plaintiff and its agents, employees, brokers and dealers in its applications for loans and contracts or undertakings for loans, and its mortgages, as in the complaint on file herein described, may be decreed to have the right to take such applications, make such contracts or undertakings, and offer the same for sale in the State of Oregon, and accept such mortgages as security for its loans and deal in the same, and conduct its business in the same without compliance in any manner or way whatsoever with the regulations and restrictions



in said Act provided and set forth; and the plaintiff, its agents, brokers and employees be freed from threats of arrest, and arrests instituted or threatened to be instituted by the defendants; and that the plaintiff, its agents, employees and dealers in its applications, undertakings for loans and mortgages, may be secured against unlawful and illegal trespasses and arrests by reason of any alleged violations of said act; and that the said R. A. Watson, defendant, the said Corporation Commissioner, his agents and employees of every kind whatsoever, and the agents and employees of the Corporation Department mentioned in said Act in the complaint may be perpetually and forever restrained by the order and injunction of this Court from enforcing, or attempting to enforce, any provision of the said Act 341 of the General Laws of Oregon for 1913, and from hindering in any manner whatsoever the conduct and business of the plaintiff under and by virtue of said Act, and from publishing any information as to the plaintiff and its business, under and by virtue of the said Act. And that each of the defendants show cause why a temporary and interlocutory injunction should not issue for the said relief prayed for, and such other and further relief as to this Court may seem meet and equitable in the premises.

## II.

Your complainant further shows to this Honorable Court that the said Act is contrary to and in violation of the terms and provisions of the Constitution of the United States and of the State of Oregon, and is there-



fore void, as is more fully set out and explained in the bill of complaint herein filed.

### III

That the defendants are continually threatening the plaintiff, its agents, employees and persons dealing with the plaintiff with arrest, and, unless restrained by the decree and injunction of this Honorable Court will continue to arrest the agents and employees of the plaintiff, and enforce the provisions of the said Act against the plaintiff, as is more fully set forth in the complaint on file herein.

### IV.

That by reason of the said facts, and before notice could be given of a time and place for a hearing upon the application of the plaintiff for decree and temporary or interlocutory injunction, and before a hearing could be had and determined by three judges, the defendants will cause irreparable loss and damage to the plaintiff and its agents, as they threaten to do; and plaintiff, therefore, moves this Honorable Court for an order of this Honorable Court, directed to the defendants, and each of them, citing and requiring them to appear before this Honorable Court, and such other judges as this Honorable Court shall designate, at a time and place to be fixed, as provided by law, and show cause why a temporary or interlocutory injunction should not issue against them, and each of them, in the manner hereinbefore outlined.

And the plaintiff further moves and prays the Court to grant a temporary restraining order, continuing in

force and effect until the hearing and determination of the application for an interlocutory order, restraining the defendants, and each of them, in the manner that an interlocutory injunction is sought.

The attention of this Honorable Court is further called to the complaint on file herein, and to the affidavits hereto attached and made a part hereof by reference, wherein it is set forth that the plaintiff has built up in the State of Oregon a business valued at more than \$3000.00 a year, and maintains in the state of Oregon various agents and representatives in the various counties of Oregon; that the defendants have threatened these agents with arrest, and that the plaintiff finds it impossible to secure men of integrity to conduct its business by reason of the said facts, and that all of the agents and representatives of the plaintiff will leave its employ unless immediate relief is procurable; that the president of the plaintiff and three of its agents have been arrested, and have been released only upon bail.

## V.

This motion is based upon the complaint, and upon the said annexed affidavits, the affidavits being attached for the purpose of showing the threats of arrest and the imminent danger of further arrests, and the risks that the plaintiff and its agents and representatives run in carrying on the business of the plaintiff, and the likelihood of further arrests, imprisonment and heavy penalties.

WILSON, NEAL & ROSSMAN,  
Solicitors for Plaintiff.

## AFFIDAVIT OF A. D. BAKER.

STATE OF OREGON,       )  
  ) ss.

County of Multnomah. )

I, A. D. Baker, being first fully sworn, upon my oath depose and say:

That I am the General Agent in the State of Oregon for the National Mercantile Company, Limited, the above named plaintiff, and have general charge of its business in the State of Oregon, and of its sub-agents.

That in the month of November, 1913, in the City of Portland, Oregon, I was arrested for a violation of Chapter 341 General Laws of Oregon for 1913, and charged with selling securities of the National Mercantile Company, Limited, in violation of the said Act; that since my arrest it has become practically impossible to do business in the State of Oregon for the National Mercantile Company, for the reason that the sub-agents of the plaintiff are being constantly threatened with arrest for a violation of the said Chapter 341, and there-upon leave the employment of the plaintiff, and for the further reason that the public in general refuses to deal with the plaintiff by reason of the action taken by the defendant R. A. Watson.

That at the present time the aggregate face value of contracts issued to people residing in Oregon is in excess of \$150,000.00, one loan of which, amounting to \$3000.00, was granted prior to the enforcement of the said Chapter 341.

(Sg) A. D. BAKER.

Subscribed and sworn to before me this 20th day of April, 1914.

(Seal)

GEORGE ROSSMAN,  
Notary Public for Oregon.

# AFFIDAVIT OF GEORGE E. STILLINGS.

DOMINION OF CANADA, )  
 ) ss.  
Province of British Columbia. )

I, George E. Stillings, being first duly sworn, upon my oath depose and say:

That I am President of The National Mercantile Company, Limited, plaintiff named; that the general representative of the plaintiff in and for the State of Oregon is one A. D. Baker, residing at Portland, Oregon; that the said A. D. Baker, upon our behalf, appoints other representatives throughout the State of Oregon to take applications for loans, and deliver contracts for loans to such prospective borrowers; that on or about the 13th day of November, 1913, in the City of Portland, Oregon, a warrant was issued for the arrest of the said A. D. Baker for offering for sale securities of The National Mercantile Company, Limited, in violation of Chapter 341, General Laws of Oregon for 1913, which securities consisted in the contracts of The National Mercantile Company, Limited, and said A. D. Baker was then taken into custody, and obtained his release only upon depositing with the Clerk of the District Court, Multnomah County, Oregon, the sum of Five Hundred Dollars (\$500.00) cash bail.



That on or about the 22nd day of November, 1913, I was likewise arrested in the City of Eugene, Lane County, Oregon, for a violation of the said Chapter 341 General Laws of Oregon for 1913, which violation of said law, as stated in said warrant for arrest consisted in offering for sale such securities of The National Mercantile Company, Limited, and was only released from arrest, after having been incarcerated in jail, upon the deposit of One Thousand Dollars (\$1000) cash with the proper authorities of Lane County, Oregon; that at the time of my arrest, C. G. Hune and O. Sundburg, local representatives of The National Mercantile Company, in Lane County, Oregon, were arrested for similar offenses.

That by reason of these various arrests the business of The National Mercantile Company, Limited, in Oregon has been greatly interfered with, and, unless some immediate relief is procured, will be completely destroyed.

That the National Mercantile Company has spent a very large sum of money in Oregon in advertising its plan of business and placing the same before the public, and has thereby secured a valuable good will and a large list of customers, and that large numbers of people are now ready to sign with it applications for loans and borrow money upon its plan of procedure, but that the agents and the representatives of said company hesitate to file these applications, by reason of the aforementioned arrests, and further arrests made by various district attorneys and by Corporation Commission R. A. Watson.



That prior to said arrests, The National Mercantile Company had representatives in seventeen counties in the State of Oregon, and the said Company was doing a large and profitable business; that, as a result of said arrests and threats of further arrests, the said representatives have become afraid to prosecute their business, and have either abandoned the same entirely, or are awaiting some assurance from the Courts that the said Act is not applicable to the business of The National Mercantile Company, as set out in the Complaint, or is unconstitutional and void, and it is impossible to secure good, reliable representatives who will take the chance of being arrested and incarcerated in jail for a violation of the said Act.

That, on or about the 20th day of November, 1913, the said A. D. Baker and I called upon the Corporation Commissioner, R. A. Watson, at his office in Salem, Oregon, to make inquiry in regard to the said Act, and to explain to him wherein the same is unconstitutional and void; that said Watson became very insolent and arbitrary, and refused to listen to reason, and thereafter, and upon the subsequent day, caused my arrest, and since said day has constantly threatened with arrest the representatives of The National Mercantile Company, and has in every way possible, by publications in the newspapers and otherwise, interfered with and obstructed the business of the said National Mercantile Company, above mentioned plaintiff; that by reason of the conduct of the said Watson and the various district attorneys of Oregon, the business of The National Mercantile Company, Limited, in Oregon has been and

is being greatly damaged, and, unless immediate relief is forthcoming, will be entirely destroyed.

(Sg) GEORGE E. STILLINGS.

Subscribed and sworn to before me this 20th day of April, 1914.

(Seal)

GEORGE ROSSMAN.

### AFFIDAVIT OF W. B. BOYER.

STATE OF OREGON, )

) ss.

County of Multnomah. )

I, W. B. Boyer, being first duly sworn, upon my oath depose and say:

That I am a resident and property owner in the State of Oregon, and am a married man.

That I am an agent of the National Mercantile Company, Limited, the above named plaintiff, and have been an agent of the plaintiff for the year last past.

That by reason of the enforcement of the Blue Sky Law, being Chapter 341 General Laws of Oregon for 1913, it has become extremely difficult to sell the contracts of said plaintiff, and by reason of the publicity given in the press by the actions of R. A. Watson, Corporation Commissioner for Oregon, concerning the plaintiff, a suspicion has been aroused in the minds of the public concerning the plaintiff, and people hesitate and refuse to have anything to do with the plaintiff.

That prior to the action taken by the said R. A. Watson the contract holders of the plaintiff were all satisfied with their business relations with the plaintiff,

and were all willing to proceed therewith; but, owing to the action taken by the said R. A. Watson, many of the contract holders have become dissatisfied, and many of them have allowed their contracts to lapse, thus injuring not only themselves and the plaintiff, but the other contract holders in the same series.

That I have secured applications for approximately \$30,000 worth of contracts with the plaintiff; that I am satisfied if relief is at once forthcoming confidence will again be restored in the minds of the contract holders, and the business of the plaintiff will proceed without any further loss.

That the said R. A. Watson, Corporation Commissioner of Oregon, has written letters to various people who are contemplating purchasing contracts of the plaintiff, advising them not to purchase, and that any purchase would be in violation of the said Blue Sky Law of Oregon, and that the said Watson would not consider such contracts a safe investment, by reason of which fact such purchasers have refused to deal with the plaintiff; that I have seen two of such letters, and know that the contents of the same are as aforesaid.

That, unless immediate relief is forthcoming, the business of the plaintiff will be greatly impaired in the State of Oregon, and it will become so unprofitable that I will leave the employ of the plaintiff.

W. B. BOYER.

Subscribed and sworn to before me this 22nd day of April, 1914.

O. A. NEAL

Notary Public for Oregon.

## AFFIDAVIT OF E. M. BORNE.

STATE OF OREGON,       )  
  ) ss.

County of Multnomah. )

I, E. M. Borne, being first duly sworn, upon my oath depose and say:

That I came into the employ of the plaintiff as an agent in the Kenton, Oregon, District, on or about Aug. 2, 1913, and have been in their employ ever since said date; that in the course of my employment I solicited applications for loans from various residents in the Kenton District, and have secured contracts for loans, as face value of contracts, amounting to approximately \$25,000; that all of the said contract holders, except one, are satisfied with their business relations with the plaintiff.

That the publicity given to the prosecutions of the agents of the plaintiff has made it practically impossible to do business in Oregon for the plaintiff, and it is becoming more difficult each day to do business for the plaintiff; that by reason of the said publicity people hesitate to accept the contracts from the plaintiff, and that, unless immediate relief is forthcoming it will become absolutely impossible for the plaintiff and its agents to do business in Oregon.

(Sg) E. M. BORNE.

Subscribed and sworn to before me this 21st day of April, 1914.

(Seal)

GEO. F. HOPKINS, JR.,  
Notary Public for Oregon.



**AFFIDAVIT OF AMANDUS BUTCHER.**

STATE OF OREGON, )

) ss.

County of Linn. )

I, Amandus Butcher, being first duly sworn, say: That I am an agent of The National Mercantile Company, Limited, the above named plaintiff; that the Corporation Commissioner of the State of Oregon has notified me that this Company is illegal under what is generally known as the Blue Sky Law of Oregon, which I understand to be Chapter 341 of the General Laws of Oregon for 1913, by reason of which fact I have hesitated to secure business for the said National Mercantile Company, Limited, as shown by such notification hereto attached and made part of this affidavit.

That a short time ago I secured applications for three contracts in The National Mercantile Company, Limited, and the payment of the application fee, and, when I was about to turn over the contracts for loans to applicants, they refused to accept the same by reason of the publicity which has been given the threats to arrest under the said Blue Sky Law, and I was compelled to keep the said contracts and return to applicants the payments which were made thereunder.

**AMANDUS BUTCHER.**

Subscribed and sworn to before me this 21st day of April, 1914.

**A. D. HALL,**

(Notarial Seal)

Notary Public for Oregon.



R. A. Watson,  
Corporation Commissioner.

STATE OF OREGON

Corporation Department.

Salem, April 13, 1914.

Amandus Butcher,

1206 E. First Street, Albany, Oregon.

Dear Sir:

This acknowledges yours of April 11, in reference to the NATIONAL MERCANTILE COMPANY, LIMITED.

This Company has not entered the State of Oregon as a foreign corporation, nor has it complied with Chapter 341, G. L. 1913, the Blue Sky Law. It has no lawful right to transact business in the State. At the request of this department prosecutions have been commenced against the agents of the company at Portland and Eugene. The president of the company is under bonds in Lane County also, for having violated the Blue Sky Law.

Trusting this will give you the information you desire, I am,

Yours truly,

R. A. WATSON.

(Envelope)

After 5 days, return to	SALEM	((Stamp))
CORPORATION DEPARTMENT,	April 13-14	
Salem, Oregon.	6-30 PM	
	OREGON	

Mr. Amadus Butcher,  
1206 E. First Street,  
Albany, Oregon.

AFFIDAVIT OF GEORGE E. STILLINGS  
AND A. D. BAKER.

STATE OF OREGON, )

) ss.

County of Multnomah. )

We, George E. Stillings, President of the plaintiff corporation, and A. D. Baker, State Agent for the plaintiff corporation in the State of Oregon, being first duly sworn, on oath say:

That on or about the month of October, 1913, the said A. D. Baker appointed C. G. Hune and O. M. Sonberg, of Eugene, Oregon, sub agents for plaintiff corporation at Eugene, Oregon; that offices were opened up by said agents, printed matter explaining the plaintiff's plans of conducting business was forwarded by the plaintiff company to said agents at Eugene, Oregon, all of which entailed a great deal of expense and labor upon the part of the said plaintiff company; that said agents proceeded to conduct the business of the plaintiff company in said locality, and had succeeded in selling contracts amounting to approximately \$40,000.00, and in various ways prosecuted the business of the plaintiff vigorously, and established a good will and good name for the plaintiff in said locality; that all contract holders in the said locality, as well as in other parts of Oregon, were satisfied with their contracts and their relations with the plaintiff company; that shortly thereafter R. A. Watson, Corporation Commissioner of the State of Oregon, began to prosecute and obtained the arrest of the said Sonberg and Hune, and

to send out literature notifying the contract holders that the plaintiff company was not authorized to do business in the State of Oregon, and advertised same in the public press, for the purpose of making it impossible for the plaintiff company to do business in the State of Oregon; that thereupon the said business in Eugene, Oregon, as thus built up, was ruined and lost to the plaintiff, and the said agents quit their employment, and that said agents were humiliated, and on account of repeated threats of arrest left the said locality, and refused to continue in the service of the plaintiff, and the good name and business repute of the plaintiff company was questioned.

That by reason of the continued threats of arrest and interference with the plaintiff's business, by the said Corporation Commissioner, the plaintiff's business in the State of Oregon, has been greatly injured and interfered with, and damaged in other localities in the State; that if the defendants herein are not restrained from enforcing said Act, Chapter 341 of the General Laws of Oregon of 1913, known as the Blue Sky Law, the plaintiff's business in the State of Oregon will be absolutely broken up, and the plaintiff will suffer irreparable damages.

That owing to the fact that the loans which are made by the plaintiff are made on a co-operative plan between its contract holders, and owing to the fact that the said repeated attacks upon the plaintiff and the said publicity, and the said question of the business repute of the plaintiff by said R. A. Watson, all of which is without foundation, the contract holders of the plaintiff

are becoming discouraged, and are losing confidence in the plaintiff, and many of them are allowing their contracts to lapse, which said fact makes it slower for the loan fund of each group of one hundred borrowers to accumulate, and thereby the contract holders of the plaintiff are injured and compelled to wait longer for their loans, thereby not only injuring the plaintiff but also the contract holders of the plaintiff in the State of Oregon.

That there are now in force in the State of Oregon contracts with residents of Oregon calling for loans amounting to the sum of \$150,000.

(Sg.) GEORGE E. STILLINGS,

(Sg.) A. D. BAKER.

Subscribed and sworn to before me this 22nd day of April, 1914.

(Seal)

GEORGE ROSSMAN,

Notary Public for Oregon.

### AFFIDAVIT OF GEORGE E. STILLINGS.

STATE OF OREGON, )

) ss.

County of Multnomah. )

I, George E. Stillings, being first duly sworn, upon my oath depose and say:

That I am President and General Manager of The National Mercantile Company, Limited, the above named plaintiff; that the said corporation is duly incorporated, organized and existing under and by virtue of the Joint Stock Companies Act of British Columbia,



Canada, and is subject to, and operates under, the Trust Companies Act of British Columbia, which requires sworn reports to be made of the company's affairs, giving assets and liabilities, to the Minister of Finance, through chartered accountants, quarterly; and that any contract holder at any time may come to our office and, at his convenience, inspect the books, records and documents of the said plaintiff, and that any other person, upon the payment of 25c, has the same privilege.

That the plan of business adopted by the plaintiff is the same in principal as that of co-operative loan companies of England which have existed since the year 1850, one of which, The Royal Li-Ver Friendly Association, has disbursed in loans and benefits \$50,000,000.00, and has accumulated assets of \$16,250,000.00, and is at this time in active operation.

(Sg.) GEORGE E. STILLINGS.

Subscribed and sworn to before me this 22nd day of April, 1914.

(Seal)

GEORGE ROSSMAN,  
Notary Public for Oregon.

ORDER TO SHOW CAUSE WHY PRELIMINARY INJUNCTION SHOULD NOT  
ISSUE.

This matter coming on for a hearing before the Honorable Chas. E. Wolverton, on a motion of the above named plaintiff, by its attorneys, for a temporary restraining order for an injunction enjoining the defendants, and each of them, and all other persons, from



bringing directly or indirectly any proceeding in law or in equity for the enforcement of Chapter 341 General Laws of Oregon for 1913, which became effectual on or about the 3rd day of June, 1913, and which act is entitled: "An Act to protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a Corporation Department to administer this and other laws relative to regulation and supervision of corporations and providing penalties for violations hereof"; and from in any way interfering with the plaintiff's business, its agents and representatives, by virtue of the said law; and from compelling the plaintiff to comply with the said law before it shall do business in Oregon; and from threatening the agents and representatives of the plaintiff with arrest under the provisions of the said law; and from arresting the agents of the plaintiff by virtue of the said law, and from bringing any action of any nature whatsoever against the plaintiff, its agents, employees and representatives, or against any other person, to prevent or hinder in any way the conduct of the plaintiff, its agents, employees or representatives, by virtue of the said law; and that an order to show cause issue herein upon application of the plaintiff, directed to the above named defendants, and each of them, requiring them to show cause why a temporary or interlocutory injunction should not issue, as prayed for in the bill of complaint and motion; and it being necessary that notice thereof be given before said application can be heard or determined to not only the defendants above named, but also to the Governor of the State of Oregon,

IT IS THEREFORE ORDERED that the defendants, and each of them, be and appear before the above named court, the District Court of the United States for the District of Oregon, sitting in the post office building in the City of Portland, State of Oregon, in said District, on the 28th day of April, 1914, at the hour of ten o'clock in the forenoon of said day, then and there to show cause, if any they have, why they and each of them should not be enjoined and restrained in the manner hereinbefore stated.

IT IS FURTHER ORDERED by this Court that a copy of this order, together with notice for the interlocutory injunction, be served forthwith, and at least five days before the date of hearing, upon the Governor and the Attorney General of the State of Oregon, and upon each and all of the defendants within named forthwith and within five days of the date of hearing.

(Sg.) CHAS. E. WOLVERTON,

Judge of the above entitled Court.

Let services be made by A. D. Baker.

CHAS. E. WOLVERTON,

Judge.

Motion, Affidavits and order Filed April 22, 1914.

A. M. CANNON, Clerk.

And afterwards, to wit, on the 28th day of April, 1914, there was duly filed in said Court, and cause AFFIDAVITS OF WILLIAM T. STEIN, RICHARD F. WINCH, WALTER A. SHEPPARD, WILLIAM O. WEBSTER, HARRY COWAN, JAMES G. TODHUNTER AND KNOX WALKEM, in words and figures as follows, to wit:

## AFFIDAVIT OF WILLIAM T. STEIN.

Rogers Building, 428 Granville St.  
Vancouver, Canada.

IN THE PROVINCE OF BRITISH COLUMBIA  
COUNTY OF VANCOUVER.

In the Matter of the  
National Mercantile Company, Limited.

I, William Thomas Stein, of the City of Vancouver, in the Province of British Columbia, make oath and say as follows:

1. That I am a Chartered Accountant and a member of the firm of Stein & Company carrying on business in the City of Vancouver.

2. That I am the Auditor of the Books of the National Mercantile Company, Limited, and have a full knowledge of their business.

3. That the said Company is conducting a legitimate and proper loan contract business in the City of Vancouver, and is paying all obligations strictly in accordance with the terms of its contracts and is living absolutely up to its contracts and is complying with all the regulations as required by the laws of the Province of British Columbia.

4. That said company is in good, solvent condition at the present time and has good financial standing and reputation in the City of Vancouver and pays all its accounts promptly.

5. I am personally acquainted with the Directors

*R. A. Watson, Corporation Commissioner, et al.* 187  
and other officers of the National Mercantile Company,  
and I believe that they are capable of properly carrying  
on the business of the company and that they are per-  
sons of good standing in this community.

WM. T. STEIN.

SWORN BEFORE ME at the City of Vancouver,  
in the Province of British Columbia, this 23rd day of  
April, A. D. 1914.

(Notarial Seal)                      LESLIE C. FORD,  
A Notary Public for Taking Affidavits in the province  
of British Columbia.

## AFFIDAVIT OF RICHARD F. WINCH.

IN THE PROVINCE OF BRITISH COLUMBIA  
County of Vancouver.

In the Matter of The  
National Mercantile  
Company Limited.

I, Richard F. Winch, of the City of Vancouver in  
the Province of British Columbia, make oath and say as  
follows:

1. That I am a Director of the firm of R. V. Winch  
& Company, Limited, in Vancouver, Province of British  
Columbia.

2. That the National Mercantile Company,  
Limited, have for almost three years occupied office  
space in the Winch Building, and they have been most  
satisfactory and desirable tenants. They have always  
promptly paid their rents, and have the reputation in



Vancouver of promptly meeting all their bills and obligations.

3. To the best of my knowledge and belief the officers of the National Mercantile Company, Limited, are capable and competent, and operate their business in an honourable and able manner, and their conduct has been such as to entitle them to the utmost confidence and respect.

R. F. WINCH.

SWORN BEFORE ME at the City of )  
Vancouver, in the Province of British )  
Columbia, this 24th day of April, A. D. )  
1914. )

ABRAM H. COWHERD,

A notary Public for taking affidavits  
in the Province of British Columbia.

(Notarial Seal)

AFFIDAVIT OF WALTER A. SHEPPARD.

IN THE PROVINCE OF BRITISH COLUMBIA  
COUNTY OF VANCOUVER.

In the Matter of The National  
Mercantile Company, Limited.

To Wit:

I, Walter A. Sheppard of the City of Vancouver in the Province of British Columbia, make oath and say, that I am assistant Manager of the Pacific Printers Limited (a body corporate with its registered office in the City and Province aforesaid) having power to grant



credit to our clientele and a knowledge of all business transactions with our customers.

That the National Mercantile Company, Limited, have done considerable business with us, and their account is marked (A1) on our ledgers; their liabilities always being promptly met in full when due.

Our business relations have always been very satisfactory.

That I personally have known Mr. G. E. Stillings for the past two years, during which time have transacted personal business, and to my entire satisfaction.

Declared before me at the City of Vancouver, in the Province of British Columbia this twenty-fourth day of April, A. D. 1914.

PACIFIC PRINTERS LTD.

W. A. Sheppard.

James B. Noble,

a notary public in and for the  
Province of British Columbia.

(Notarial Seal)

AFFIDAVIT OF WILLIAM OSBORNE  
WEBSTER.

579 Richards Street, Vancouver, B. C.

April 24, 1914.

I, William Osborne Webster, of the City of Vancouver, in the Province of British Columbia, make oath and say as follows:

1. I am Manager of the United Typewriter Co., Ltd., Agents for the Underwood Typewriter.

2. I have been doing business with the National Mercantile Co., Ltd., since October, 1912, and I have always found them prompt in their payments.

3. I am personally acquainted with Mr. G. E. Stillings, of the National Mercantile Co., Ltd., and as far as my knowledge of him goes, I regard him very highly.

Sworn before me, in the City of Vancouver, in the Province of British Columbia, this 24th day of April, A. D. 1914.

WILLIAM OSBORNE WEBSTER.

James Eadie

A notary public for taking affidavits in  
the province of British Columbia.

(Notarial Seal)

## AFFIDAVIT OF HARRY COWAN.

COWAN & BROOKHOUSE.

Commercial and General Printers.

421 Dunsmuir Street,

Vancouver, B. C., April 25th, 1914

IN THE PROVINCE OF BRITISH COLUMBIA  
COUNTY OF VANCOUVER.

In the Matter of the National  
Mercantile Company, Limited.

I, Harry Cowan, of the City of Vancouver, in the Province of British Columbia, make oath and say as follows:

*R. A. Watson, Corporation Commissioner, et al.* 191

1. That I am a partner of the firm of Cowan & Brookhouse, Printers & Publishers, in the City of Vancouver, Province of British Columbia.

2. That the said firm of Cowan & Brookhouse have for almost three years been doing printing work for the National Mercantile Company, Limited, and they have been most satisfactory and desirable clients, and have promptly met all obligations to us.

HARRY COWAN.

SWORN BEFORE ME at the City of Vancouver, in the Province of British Columbia, this 25th day of March, A. D. 1914.

N. R. ROBERTSON.

A Notary Public for taking affidavits  
in the Province of British Columbia.

(Notarial Seal)

AFFIDAVIT OF JAMES G. TODHUNTER.

THE CLARKE & STUART CO., LIMITED  
Stationers, Printers and Bookbinders.

Vancouver, B. C., April 24th, 1914.

IN THE PROVINCE OF BRITISH COLUMBIA  
Re NATIONAL MERCANTILE COMPANY  
LIMITED

1st. I, James G. Todhunter, of the City of Vancouver, in the Province of British Columbia, make oath and say, that I am a Director and Secretary-Treasurer of THE CLARKE & STUART CO., LIMITED,

and have full knowledge of our various customers, as to their accounts and business transactions with us.

2nd. That THE NATIONAL MERCANTILE CO. LIMITED have been doing business with us since August, 1911, and that their account has been considered by us to be one of the best, and same is always promptly paid when due.

3rd. That during our dealings with the NATIONAL MERCANTILE COMPANY LIMITED, our business has been executed under the most pleasant conditions.

Signature: J. G. TODHUNTER.

Declared before me at the City of )  
Vancouver, in the Province of )  
British Columbia, this twenty- )  
fourth day of April A. D. 1914. )  
(Notarial Seal)

John M. Lamey

A Notary Public in and for B. C.

### AFFIDAVIT OF KNOX WALKEM.

#### IN THE PROVINCE OF BRITISH COLUMBIA COUNTY OF VANCOUVER.

In the Matter of the  
National Mercantile  
Company, Limited.

I, Knox Walkem, of the City of Vancouver, in the Province of British Columbia, make oath and say as follows:

1. I am a member of the firm of Burns & Walkem,

and have been acting for several months as Solicitor for the National Mercantile Company, Limited.

2. The said Company has been carrying on a loan contract business in the City of Vancouver and elsewhere, and is in good standing in the Province of British Columbia and to the best of my knowledge is complying strictly with all of the Government regulations and conditions. As far as I am aware the company is in a good financial condition and has always promptly met its obligations.

3. I am also personally acquainted with the officers of the Company, and they are persons of good reputation in this City, and it has been their practice to consult my firm on all matters of legal importance in connection with the business of the Company, and they have carefully followed all instructions given to them.

4. I am informed and believe that the contract under which the company does business was carefully revised and passed upon by one of the largest and most reputable legal firms in the City of Vancouver, who gave it as their opinion that the same was perfectly legal and valid according to the laws of British Columbia.

KNOX WALKEM.

SWORN BEFORE ME at the City )  
of Vancouver, in the Province of British )  
Columbia, this 23rd day of April, A. D. )  
1914. )

W. S. LANE,

A Notary Public for taking affidavits  
in the Province of British Columbia.

(Notarial Seal)



DISTRICT OF OREGON, )

) SS.

County of Multnomah. )

Due service of the within Affidavits is hereby accepted in Portland, Multnomah County, Oregon, this day of April, 1914, by receiving a copy thereof, duly certified to as such by George Rossman, Attorney for Plaintiff.

JOHN M. PIPES,

Attorney for Defendants.

Filed April 28, 1914. A. M. Cannon, Clerk.

And afterwards, to wit, on the 28th day of April, 1914, there was duly filed in said Court and cause an **AFFIDAVIT OF A. DOWD**, in words and figures as follows, to wit:

## AFFIDAVIT OF A. DOWD.

No.....

STATE OF OREGON, )

) ss.

County of Multnomah. )

I, A. Dowd, being first duly sworn, upon my oath depose and say, that on or about the 21st day of April, 1914, I wrote a letter to R. A. Watson, Corporation Commissioner of the State of Oregon, inquiring in regard to the contracts for loans offered for sale by the National Mercantile Company in the State of Oregon,

*R. A. Watson, Corporation Commissioner, et al.* 195

a copy of which letter is attached hereto and marked Exhibit "A."

That on or about April 23rd, 1914, I received from the said R. A. Watson a letter in reply to said letter dated April 21, 1914, which said reply is hereto attached and marked Exhibit "B," and is the identical letter which covered his reply to my inquiry.

A. DOWD.

Subscribed and sworn to before me this 27th day of April, 1914.

(Seal)

GEORGE ROSSMAN.

Notary Public for Oregon.

### EXHIBIT "A"

Portland, Oregon, April 21, 1914.

Mr. R. A. Watson,

Salem, Oregon.

Dear Sir:

Having on hand an old pamphlet of the National Mercantile Company of Vancouver, B. C., who sell Contracts, and on reading same, I became very interested in their plan; but first would like to ascertain their standing in the State.

I am thinking of taking out a \$5000 Contract, but as I work hard for my money I would like to make sure that it is a safe investment.

Thanking you in advance, I beg to remain,

Yours very truly,

(Signed) A. DOWD.

## EXHIBIT "B"

R. A. Watson,

Corporation Commissioner.

STATE OF OREGON,

Corporation Department.

Salem

April 22, 1914.

Mr. A. Dowd,

387 North Grande Avenue,

Portland, Oregon.

Dear Sir:

This acknowledges yours of April 21, in reference to the National Mercantile Company, Limited. This company is not of record in this state. It has not complied with the law in any manner, and refuses so to do. In my opinion, it is an unsafe investing medium. Your returns depend absolutely upon the discretion and the honesty of the officers. The reports that have been received in reference to the company are not good, and I would suggest that you exercise very diligent caution in having anything to do with it.

Very sincerely,

R. A. WATSON.



## AFFIDAVIT OF R. A. WATSON.

STATE OF OREGON,     )  
                                      ) ss.  
County of Multnomah.     )

I, R. A. Watson, being first duly sworn, depose and say:

1. That I am a citizen and resident of the City of Salem, County of Marion, and State of Oregon; that I am by virtue of the provisions of Chapter 341 General Laws of Oregon for 1913, and by appointment of the Governor of Oregon, the duly appointed, qualified and acting Corporation Commissioner of the State of Oregon; that I am one of the parties defendant in the case of the National Mercantile Company, Limited, vs. the State of Oregon, et al., now filed and pending before the United States Court for the District of Oregon.

2. That I verily believe and therefore so allege it would be inequitable, unjust, unwise and against public policy that a temporary restraining order or injunction, or any order or injunction at all, issue out of the said court and be directed against the said parties defendant, or any of them, restraining and enjoining them, or any of them, from administering and enforcing any or all of the provisions of the said Chapter 341, General Laws of Oregon for 1913, or any other statute of the State of Oregon, as against the said National Mercantile Company, Limited, for the following reasons, to wit:

A. Because the nature and plan of the business



conducted by the said National Mercantile Company, Limited, is unsafe, unsound, inequitable to and a fraud upon the purchasers of the loan, saving, building, saving and loan, building and loan, or other contracts or securities by the said company issued, offered for sale and sold, and therefore should not be permitted to be operated against, and in the face of, the laws of the State of Oregon by virtue of an order of the said court.

B. Because I verily believe and therefore so allege that the National Mercantile Company, Limited, is to all practical intents and purposes formed upon and operated under the same plan as was the Tontine Mercantile Company, a Missouri corporation, and the Preferred Mercantile Company of Boston, a Massachusetts corporation, the fraudulent and criminal history of which is given in 82 Southwestern Reporter 1075, and in 187 Massachusetts Reports 516, and in "The Legal History of the Preferred Mercantile Company," a copy of which is hereto attached as a part of this affidavit and marked Exhibit "A."

C. Because George E. Stillings, promoter, president and managing director of the National Mercantile Company, Limited, as I verily believe and therefore so allege, was the promoter and managing head of the two companies named in Paragraph B above written; that his operations conducted under the name and guise of the above named companies were fraudulent and criminal and so adjudged to be, and that because of the great similarity between the business of the above named companies and that of the National Mercantile Company, Limited, I believe and therefore so allege, that the busi-

ness and operations of the National Mercantile Company, Limited, are fraudulent and against the peace and dignity of the State of Oregon and of the United States, and should not therefore be permitted by order of the court, and that in support of these allegations are offered the decision of the Supreme Court of Missouri in the case of the State ex rel Hickman, Supervisor of Building and Loan Associations vs. Preferred Mercantile Co. et al., as reported in 82 Southwestern Reporter 1075, and the decision of Supreme Judicial Court of Massachusetts, as reported in 187 Massachusetts 516, Exhibit "A" hereunto attached, and Exhibit "B" hereunto attached and made a part of this affidavit.

D. Because I am informed and believe, and therefore so allege, that the said George E. Stillings was charged before the United States District Court of Boston, Mass., with operating a lottery and using the mails to defraud, and was in the said court convicted in December, 1905, and was thereafter by the said court sentenced to serve one year in the Suffolk County Jail for the said offenses, wherefore he is not entitled to an order from this honorable court which will permit him to do the same things for which he was convicted and punished by the United States Court of Massachusetts, and that in support of these allegations I offer Exhibit "C," hereunto attached and made a part of this affidavit.

E. Because the National Mercantile Company, Limited, and George E. Stillings, its president, have in the past refused, and do not still refuse, to abide by or comply with any of the laws of the State of Oregon enacted for the control and regulation of similar com-

panies and officers and directors thereof, and should not therefore be heard to ask that the enforcement of these laws be restrained as to them, and in support of this allegation I offer Exhibit "D," hereunto attached, and made a part of this affidavit.

F. Because of the fact that the Corporation Department of the State of Oregon was created by Chapter 341, General Laws of Oregon for 1913; that the said Chapter became effective June 3, 1913; that ever since that date, and now, all investment companies and all corporations, joint stock companies and associations, domestic and foreign, doing business in the State of Oregon have transacted all business and have done all things required to be transacted or done, in so far as these related or relate to the incorporation, dissolution, conduct, supervision and regulation of such companies, corporations or associations, by the State of Oregon, with and through the said department, and the Corporation Commissioner.

G. Because of the fact that as a result of such procedure many corporations have been formed; that upon the basis of such incorporations vast issues of securities have been authorized, negotiated and sold, vast tracts of land have been transferred, and innumerable transactions of great import effected, the legality of which would be thrown into unnecessary and serious question should the honorable court cloud the integrity of the Corporation Department by an order restraining its operation at this time.

H. Because the facts do not warrant nor the necessities of the case at bar demand the issuance by the

honorable court of a temporary restraining order or injunction, or of any restraining order or injunction, directed against the parties defendant, or any of them, in order that full equity and justice may be obtained by the plaintiff company, but that on the contrary the corporate interests and the public policy of the State require that no such order shall be issued.

3. And the affiant further states that the plaintiff has not filed heretofore with the Secretary of State, or with this affiant as Corporation Commissioner of the State of Oregon, either under the provisions of Section 6727 of Lord's Oregon Laws, Volume III, page 2414, or Section 8 of Chapter 341 General Laws of Oregon for 1913, any written declaration of its desire and purpose to engage in business within the State of Oregon, and has not paid the sum of Fifty dollars to the said Secretary of State, or to this affiant as Corporation Commissioner, required by said law, or the annual license fee required by said law, or any part thereof; and that the plaintiff has not filed with the Secretary of State, or with the affiant as Corporation Commissioner, its power of attorney appointing some person, a citizen of the United States and a citizen and resident of this State, as attorney in fact for plaintiff, or authorized or empowered any such attorney to accept service of all writs, process, and summons requisite or necessary to give complete jurisdiction of the plaintiff to any of the courts of the State of Oregon or the United States courts therein, or to appoint such authorized agent upon whom lawful and valid service may be made of all writs, process and summons in any action, suit or proceeding against or



by the plaintiff in any of the said courts; and has not filed with the Secretary of State, or with this affiant as Corporation Commissioner, a certified copy of its charter or Articles of Incorporation, either certified by the legal keeper of the original, or otherwise; and by reason of the premises the plaintiff is not, and has not at any time been entitled to transact any business within the State of Oregon, and is not entitled to maintain this suit.

And in this connection affiant further says that he did, as Corporation Commissioner, notify the plaintiff and the said Baker to comply with the provisions of the law hereinbefore referred to, and furnished them with the necessary blanks for such compliance, but that the plaintiff has not complied with the law. And in order to apprise the Court of the true facts in relation thereto, the affiant attaches hereto copies of the correspondence between the affiant and the plaintiff in relation thereto, and makes the said copies of letters a part of this affidavit, marking them:

Exhibit "E," letter of affiant to the plaintiff, dated August 18, 1913.

Exhibits "F" and "G," letters of the plaintiff to affiant, dated August 21, 1913.

Exhibit "H," a letter in reply to the last two letters written by plaintiff, written by the affiant on August 25, 1913.

R. A. WATSON.

Subscribed and sworn to before me, this April 27, 1914.

(Seal)

V. L. GIBSON,  
Notary Public for Oregon.



**Exhibit "A."**

**LEGAL HISTORY  
OF THE  
PREFERRED MERCANTILE COMPANY**

Once of

KANSAS CITY, MISSOURI, late of BOSTON,  
MASS., briefly of WASHINGTON, D. C., and  
finally of NEW YORK.

By

BURTON PAYNE GRAY, Receiver

August - 1905.

OFFICE OF THE RECEIVER  
THE PREFERRED MERCANTILE COM-  
PANY OF BOSTON,  
704 Tremont Building,  
Boston, Mass.

To Contract Holders of The Preferred Mercantile Co.,  
of Boston:

Daily I am in receipt of inquiries from the holders of contracts in this Company and so numerous are they becoming and so general is the desire expressed for full information regarding the Company that I have prepared the following report, incorporating in it attested copies of the several court papers and records that throw light upon the methods employed by the promoters, George E. Stillings and Guy C. Stillings.

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The Stillings brothers came to Massachusetts from

Kansas City, Missouri, early in the fall of 1903, where for three years or more they had operated The Preferred Tontine Mercantile Company of Missouri. In 1903 the Attorney General of Missouri brought an action against The Preferred Tontine Mercantile Company seeking to restrain the Company from doing business in that state. A report of those proceedings is found in an opinion of the Supreme Court of Missouri rendered July 1, 1904, and reported in 82 Southwestern Reporter 1075. This decision held that the business of the Company was in violation of the laws of Missouri, and ordered the appointment of a receiver.

In addition to the proceedings by the State of Missouri, the United States Postal authorities issued a Fraud Order which denied the Company the use of the United States mails.

Driven from Missouri the Stillings brothers came to Boston and on November 11, 1903, organized a corporation under the laws of the Commonwealth of Massachusetts called The Preferred Mercantile Company of Boston, the general scheme being practically the same as that of The Preferred Tontine Mercantile Co. of Missouri.

Very shortly the United States Postal authorities began an investigation of the business and on March 25, 1904, issued a Fraud Order against The Preferred Mercantile Company of Boston and its officers and agents. On September 14, 1904, additional Fraud Orders were issued against George E. Stillings, Guy C. Stillings, J. F. Knisely and L. H. Kendall, Winthrop Building, Boston, and forty-seven agents who conducted

branch offices throughout the United States. On February 10, 1905, another Fraud Order was issued against G. E. Walke, Winthrop Building, Boston, through whom the Stillings brothers were receiving their mail and also against I. M. Walters, 15 Charles Street, Boston.

On March 28, 1904, the Stillings brothers brought a bill in equity in the Circuit Court of the United States for the District of Massachusetts (No. 1950 Eq.) against George A. Hibbard, as Postmaster of the United States at Boston, for the purpose of restraining and enjoining him from withholding the payment of money others issued to The Preferred Mercantile Co. of Boston and praying that the Postmaster be ordered to deliver the Company's mail. Upon hearing this bill was dismissed by Circuit Judge Lowell on June 29, 1905.

On September 12, 1904, Guy C. Stillings was arrested for violation of the U. S. Rev. Laws Sec. 3894. On September 13, 1904, J. F. Knisely was arrested for the same offense and on September 17, 1904, George E. Stillings was also arrested, each being held in \$2,000 bail. November 3, 1904, all were indicted by the Federal Grand Jury and now await trial.

The Attorney General of Massachusetts on September 13, 1904, brought proceedings (case No. 9046, Equity) in the nature of Quo Warranto in the Supreme Judicial Court of the Commonwealth against The Preferred Mercantile Co. of Boston, alleging that the Company was engaged in an unlawful business and in violation of Revised Laws of Massachusetts, Chap. 73, ss. 7, 8. November 26, 1904, Mr. Justice Braley granted a tem-

porary injunction against the Company restraining its officers from disposing of any of the assets of the Company not in "the regular course of business," and reserved the case for the opinion of the full court. March 3, 1905, the Supreme Judicial Court rendered an opinion in the case (See 187 Mass. 516) declaring that the business carried on by the Company was illegal and on March 14, 1905, an order was duly entered forfeiting the Company's charter.

On behalf of all contract holders N. H. George of Emporia, Kansas, on March 24, 1905, filed a petition asking that the court appoint a receiver. On the day prior to the hearing on this petition, the Stillings brothers, through J. F. Knisely, their agent at Kansas City, purchased from Mr. George his contracts, with the result that this action was suspended. Thereupon the Attorney General brought an action praying for the appointment of a receiver. (Commonwealth of Massachusetts vs. The Preferred Mercantile Company of Boston, No. 9240 Eq.)

On March 30, 1905, I was appointed temporary receiver and at once took possession of the offices of the Company and made due demand of George E. and Guy C. Stillings for the funds and property of the Company. My demand was refused and, with the exception of \$14.06 and a few postage stamps found in the cash drawer, no assets were surrendered to me. On the same day the treasurer, Guy C. Stillings, drew \$8,000 of the Company's money from the New England Trust Company and gave it to George E. Stillings. (See Master's Report, post.)



On March 31, 1905, I called the attention of the Attorney General to the refusal of the Stillingses to deliver to me the Company's property and on the same day an Information of Contempt was filed against George E. Stillings and Guy C. Stillings. Both defendants were arrested and admitted to bail in the sum of \$10,000 each.

An examination of the Company's books revealed gross irregularities and on April 11, 1905, a second Information of Contempt was filed against George E. and Guy C. Stillings charging them with violation of the order of the court entered in case No. 9046 Equity.

By consent of all parties, both cases were referred to James D. Colt, Esq., special master, to hear the parties and report to the court the facts, together with a transcript of all the testimony in the case. The trial covered several weeks. On June 29, 1905, the master filed his report and on the 11th day of July the case was argued before Mr. Justice Barker of the Supreme Court and the 11th day of August the court made its finding, adjudging George E. Stillings and Guy C. Stillings guilty of wilful contempt in both cases. (See findings and decree, post.) In the first case the court imposed a sentence of one year's imprisonment in the common jail on each defendant and continued for sentence the second case until the first sentence shall have been served.

The accounts of the Company show it to have received from the contract holders between December 5, 1903, and March 14, 1905, the sum of \$101,402.75. Paid to mature contracts \$46,404.64 and charged to expense \$30,916.86, leaving a balance on hand of \$24,081.25.



On March 14, 1904, a new set of books was opened commencing with a balance of \$4,972.90. Between Saturday, March 12, 1904, and Monday, March 14, 1904, the difference between \$24,081.25 and \$4,972.90 or \$19,-108.35 disappeared.

From March 14, 1904, to March 14, 1905, including the balance of \$4,972.90, the Company received from the contract holders \$494,047.21. Paid to mature contracts \$338,865.93 and charged to expense \$155,181.28, leaving in the treasury on March 14, 1905, the sum of \$104.39.

From March 14, 1905, to May 10, 1905, the Company collected from the holders of contracts the sum of \$12,530.03. This money was deposited in the New England Trust Company in the name of Guy C. Stillings and it was from this account that he paid George E. Stillings \$8,000 on March 30, 1905. When I learned of this account only \$26.92 remained. No part of this \$12,530.02 has been paid to me by George E. Stillings or Guy C. Stillings, except the \$26.92.

On August 15, 1905, I filed a suit in the Supreme Judicial Court against the Stillings brothers (Burton Payne Gray, Receiver vs. George E. Stillings, Guy C. Stillings and I. M. Walters) seeking to recover a judgment for large sums of money illegally disbursed and appropriated. This action will be tried during the coming winter.

After the contempt cases were heard and while the Judge of the Supreme Court was preparing his findings, the Stillings brothers organized a New York corporation, called the Preferred Mercantile Company of New

York, for the purpose of taking over the business of the Boston company of the same name.

The following court reports and decrees are printed herewith for your further information:

1. Decree appointing Receiver.
2. Report James D. Colt, Esq., Special Master.
3. Finding of Mr. Justice Barker on Information for Contempt filed in case No. 9240 Equity.
4. Finding of Mr. Justice Barker on Information for Contempt filed in case No. 9046 Equity.
5. Decree of sentence for contempt in case No. 9240 Equity.

COMMONWEALTH OF MASSACHUSETTS.

Suffolk, ss.

Supreme Judicial Court

In Equity.

Commonwealth of Massachusetts

v.

The Preferred Mercantile Company of Boston.

**INTERLOCUTORY ORDER.**

This cause came on to be heard upon motion of the plaintiff and thereupon it is ordered that Burton P. Gray, of Boston, be and he is hereby appointed temporary receiver of all the property and effects of the defendant, including all moneys, books and papers, lists of contract holders of the defendant and copies of such lists and papers, and the defendant, its officers, servants and agents are hereby ordered to deliver to said receiver all such property, moneys, books and papers and lists

and copies thereof, and all moneys that shall arrive for the defendant, its officers, servants, or agents.

The said receiver is to give bond in the sum of \$5,000 within three days from this date, and is to hold the property as receiver until the further order of the court.

Leave is given to either party to apply for a modification or for further orders.

By the Court,  
JOHN NOBLE, Clerk.

March 30, 1905.

## COMMONWEALTH OF MASSACHUSETTS.

Suffolk, ss.

Supreme Judicial Court.

No. 9046 Eq.

In Equity.

Attorney-General

V.

George E. Stillings et al.

No. 9240 Eq.

Commonwealth of Massachusetts

V.

The Preferred Mercantile Company of Boston.

In the matter of two informations of contempt against George E. Stillings and Guy C. Stillings, one information being a part of No. 9046 equity, the other being a part of No. 9240 equity.

## REPORT OF THE SPECIAL MASTER.

Pursuant to a rule of reference in each of the above-entitled cases ordering me to hear the parties and their evidence, to find the facts and forthwith to report the same to the court, together with such portions of the

evidence as either party may request, I submit my report:

George E. Stillings and Guy C. Stillings are respectively president and treasurer of The Preferred Mercantile Company of Boston, a Massachusetts corporation which was organized November 11, 1903, under chapter 437 of the Acts of 1903. The chartered purpose was "conducting and carrying on the business of dealing in diamonds, buying, leasing and selling the same, acquiring such real and personal estate and other property as the interests of the corporation may require, and doing all things which may be useful or incidental to such purposes or convenient or necessary for the carrying on of said business."

The sole business of the corporation has been to issue to the public installment contracts which were the same discussed in the opinion of the Supreme Court in *Attorney-General v. The Preferred Mercantile Company of Boston*, 187 Mass. 516. The contracts issued by the corporation were all in substantially the same form. According to their terms the applicant is required to pay one dollar on the delivery of the contract, and one dollar per week thereafter until the sum of \$110 is paid in, by which the contract becomes fully paid or reaches its maturity; if there is a default in his payments he shall forfeit twenty-five cents per week for each week that he is in default, and if he continues in default for five consecutive weeks, the lease shall be void and he shall forfeit all the sums paid. Of each dollar, the corporation is to use seventy cents, together with the money received from lapses, fines and transfer fees, for the



redemption of the contracts; ten cents for the contingent fund, which is used also for the redemption of contracts, but goes exclusively to redeem the oldest unredeemed contracts in their order. The remaining twenty cents, together with the difference between the retail value and the wholesale price of diamonds which are delivered in the redemption of contracts, may be used for defraying the expenses of managing the business. The corporation agrees to redeem as many of the oldest outstanding unredeemed contracts as the funds will permit each week, by the delivery of a commercial, white, clear and flawless diamond of the alleged value of one hundred dollars per carat. The right is reserved to redeem a contract at any time before maturity by delivering a diamond of weight proportionate to the number of weeks which the contract has to run; that is, if the contract is redeemed at or after maturity, the holder, having paid \$110, is entitled to a diamond of the alleged value of \$200; if the contract is redeemed at the expiration of eighty weeks, the holder is entitled to a diamond worth  $80/110$ ths of \$200. The contract holder has no right to a redemption of the contract until the amount of money in the hands of the company to the credit of his contract, which must be the oldest outstanding contract of the series in which it is issued, equals \$200.

While the contract provides for its redemption by delivery of a diamond, the company has always promised in its circulars to redeem in cash, at the holder's option, by paying at the rate of \$160 for each fully paid or matured contract upon which \$110 would have been paid by the holder, and a proportionate amount upon



contracts redeemed before maturity. In fact, almost all redemptions have been in cash. During the year covered by the company's books, March 14, 1904, to March 14, 1905, the company expended for diamonds only \$2,-216.99, while it paid out in cash redemptions \$247,045.25. The introduction of the diamond into the scheme was a specious pretence devised to give the company a fancied security as an inter-state distributor of merchandise. Under this pretence it obtained its Massachusetts charter, which it advertised all over the United States as a guaranty of sound and conservative business principles.

The entire management of the corporation was delegated by the board of directors, consisting of George E. Stillings, Guy C. Stillings and a clerk, I Morton Walters, to George E. Stillings, who owned twenty-eight of its thirty shares of capital stock.

To appreciate the financial operations of the company under George E. Stillings' management it is important to state his previous adventures in the same line of dealings. From October, 1900, to October, 1903, he was carrying on, as president and general manager, the business of the Preferred Tontine Mercantile Company, a Missouri corporation having its home office in Kansas City, Missouri. That corporation, which I shall hereafter call the "Tontine Company," issued contracts of similar tenor to those of The Preferred Mercantile Company of Boston. The method of redemption was varied from time to time in an endeavor to keep in advance of the pursuing fraud orders of the Postal Department, the latest form issued by the Tontine Company differing in no essential particular from the form

of The Preferred Mercantile Company of Boston. The former were redeemed in the numerical order of their issuance; the latter in a numerical order purporting to be based upon the chronological order of the applications filed.

In 1902 and 1903, proceedings in equity instituted by the State of Missouri were pending against the Tontine Company, which terminated in a decree restraining the company, its officers and agents from removing its assets from the state, and ordering the appointment of a receiver. That case, upon appeal to the Supreme Court of Missouri, is reported in 82 S. W. Rep. 1075, date July 1, 1904.

Nevertheless, practically all the contract-holders continued to pay the installments according to the terms of their contracts, to George E. Stillings and agents of the company, pending the formation of the Massachusetts corporation, which thereupon issued its contracts in exchange for them, giving the holders credit for their payments to the Tontine Company, and giving to each his former place in the line reaching toward redemption. In brief, the Massachusetts corporation took over all the liabilities of the Tontine Company, leaving behind in Missouri all its assets except the current installment payments made after the decree of the Missouri court stopped the business of the Tontine Company. George E. Stillings' reason, when driven from Missouri, in choosing Massachusetts for his new charter was, that owing to the conservatism of this state and its rigid supervision and control over corporations, it seemed good to him to represent a Massachusetts corporation.

The contract-holders thus taken over from the Ton-tine Company were divided into three classes or series, called A, B and C. The earliest contracts were put into A, the next in order into B, and the latest into C. No certain number made up each series. This detail, as all others in the management of the business, depended upon the taste and fancy of George E. Stillings. The earliest contracts obtained by the Massachusetts corporation directly were classed in series C. When this series seemed large enough later contracts were put in series D. No contract of an earlier series was written after a later series had been started, but redemptions were made concurrently from all the series, the earliest contracts of each being entitled to redemption first.

The object of dividing the contracts into series was to enable the manager to encourage investors here and there by redeeming some contracts shortly after maturity, and, indeed, before maturity, under the right reserved in the contract. The distribution of installments derived from a later series to the holders in earlier series also furnished elasticity.

Aside from the 20 per cent. of each installment which went for expenses, and the penalties, fines and transfer fees which were devoted exclusively to the series in which they occurred, the distribution was as follows: 10 cents from every installment upon every contract in series B, C and D was put into the A redemption fund. One-half of the balance of every installment of B went into the A redemption fund. The rest of every installment of B and one-half of the balance of every installment of C went into the B redemption fund. The rest of

every installment of C and one-half of the balance of every installment of D went into the C maturity fund. There being no later series, only 35 cents out of each dollar paid by people in the D series went into the redemption fund of that series. Thus most of the money paid by persons who invested in the Massachusetts corporation went to redeem obligations incurred by the Tontine Company.

These four series are now outstanding, the total number of contract-holders being approximately five thousand, many of whom hold several contracts.

The story of the transfer of the business from Missouri to Massachusetts not only illustrates George E. Stillings' method of dealing with a court decree, but accounts for the large amount of business done by the Massachusetts corporation in a short time.

From December 5, 1903, the date of the first item on the company's books, to March 12, 1904, the books show receipts amounting to \$101,402.75, and expenditures of \$77,321.50, leaving a balance on hand of \$24,081.25. During that period the amount disbursed through the expense fund as the cost of managing the business was \$30,916.86. March 12, 1904, was Saturday. On March 14th the company opened a new set of books, starting them with a credit of only \$4,972.90, although the balance on hand the previous Saturday afternoon was \$24,081.25; thus \$19,108.35 passed out of sight. Attention was called to this early in the hearing, yet the respondents have offered no reasonable explanation of the disappearance of this money. I find both the defendants responsible for its disappearance, Guy



C. Stillings because he was treasurer of the corporation; George E. Stillings because all the money of the corporation, both of the expense and of the redemption funds, was under his control. This \$19,108.35 was money which should have been used in the redemption of contracts, since the sums charged as expenses up to March 14, 1904, exceeded 20 per cent. of the total receipts. It was an asset of the company and ought to have been turned over to the receiver if still in their possession.

From the date of opening the new set of books to the judgment of ouster was one year and a day, March 14, 1904, to March 14, 1905. The books show disbursements during that year as follows:

Redemption of A contracts.....	\$ 74,392.92
Redemption of B contracts.....	100,024.89
Redemption of C contracts.....	98,019.49
Redemption of D contracts.....	30,339.58
Contingent fund used also in the redemption of A contracts .....	35,984.56
Amount charged out through the expense fund .....	155,181.28
<hr/>	
Total expenditures.....	\$493,942.72

The total receipts, including the cash on hand at the beginning of the year, are shown to be \$494,047.21. The balance left on March 14, 1905, was \$104.39, divided among the various funds as follows:

A fund .....	\$ 3.25
B fund .....	32.71



C fund .....	46.82
D fund .....	21.71
Contingent fund .....	0.
Expense fund .....	0.

It is obvious that the money paid out through the expense fund far exceeds 20 per cent. of the receipts plus the profit on the \$2,216.99 worth of diamonds purchased by the company. The company, under the direction of George E. Stillings, systematically pursued the following method of swelling the expense fund. All the money received was kept in one bank account, the division among the various funds being made only on the books. From every installment paid in, exclusive of the first five on each contract, which went for agents' commissions, the company charged 20 per cent. to the expense fund, as authorized by the contract. The remaining 80 per cent. it distributed among the redemption funds of the various series and the contingent fund, as explained above. Then, each week it deducted 20 per cent. of this remaining 80 per cent. from the redemption funds, including the contingent fund, and put it into the expense fund. For example, assuming that a contract-holder paid his \$110, without fines; the local agent took \$5; the company took, first \$21, then, by its fraudulent system of bookkeeping, \$16.80 more, leaving in the redemption fund \$67.20. It cost the contract-holder, therefore, \$42.80 to get \$67.20 into the fund, where it should be used for the benefit of his own series, the series next prior to his, and the earliest outstanding series.

In the spring or summer of 1904 the Postmaster-General of the United States declared the business a

fraud and notified the company that all mail addressed to The Preferred Mercantile Company of Boston, George E. Stillings and Guy C. Stillings, would be stamped "Fraudulent" and returned to the sender. These three parties thereupon filed a bill in equity to restrain him from such action, which is still pending. They have been excluded from the use of the mails during all the intervening time, but have employed the express companies for bringing in the installments and the agents' weekly reports.

On August 30, 1904, George E. Stillings directed Guy C. Stillings to transfer the bank account in the American National Bank, which had theretofore been carried in the name of "Preferred Mercantile Company, Guy C. Stillings, Treasurer," to the name of "George E. Stillings." This transfer was made, but Guy C. Stillings, Treasurer, continued to draw checks upon the account. This was the only bank account which the company had at that time, and never, from August 30, 1904, to the present time, has the company's account been kept in its own name, but a continuous account has been kept of its funds upon a secret trust in the name of others, as this report will state.

On September 12, 1904, Guy C. Stillings was arrested by the federal authorities upon the charge of using the mails in pursuance of a scheme to defraud. He gave cash bail by drawing a check for \$2,000 on the bank account of the corporation, though not even in the expense fund was there \$2,000 at that time. On September 13, 1904, John F. Knisely, the Boston manager of the company, was arrested upon the same charge,

and another \$2,000 check was drawn upon the general funds of the company for his bail. On September 16, 1904, George E. Stillings was arrested upon the same charge, and another \$2,000 check was drawn upon the general funds of the company for the same purpose. \$6,000 was put back in the bank to take the place of the amount so drawn, on September 17, 1904.

This date, September 17th, is the last day that the account of The Preferred Mercantile Company was carried in the name of George E. Stillings. By his directions the account was transferred on the following Monday, September 19th, to the name of L. A. Dooley, meaning Laura A. Dooley, the assistant bookkeeper of the corporation. She, however, had no authority to draw upon it, such authority being confined to the two Stillings. The account was carried in her name until March 14, 1905.

On September 13, 1904, the Attorney-General filed in the Supreme Court of Massachusetts, No. 9046 law, an information in the nature of *quo warranto* against The Preferred Mercantile Company of Boston, seeking forfeiture of its franchise. This is the case which went to the full court and is reported in 187 Mass. 516.

At this time the respondents began the practice, which thereafter was continuous, of requiring the bank to certify all checks upon deposits of the company. The first certified check was that drawn for bail on September 12th. The check drawn for a similar purpose on September 13th was certified also, and after that date, which was the day of filing the information in the nature of *quo warranto*, all checks upon the account of the com-

pany standing in the name of L. A. Dooley were certified. Wide publication had been made of the fact that the bank account was carried in the American National Bank, by advertising facsimile checks of large amounts apparently paid to contract-holders. The respondents, fearing that the public authorities or the contract-holders might attach its account, although in the name of Dooley, took this means of reducing the corporation's balances to almost nothing.

At this time, the beginning of the litigation in the state court, I find that George E. Stillings was determined that no power should interfere successfully with the business, which was putting its "expense funds" within his control at the rate of more than \$150,000 a year. Writing a circular letter, as his habit was, for the instruction of the company's agents, he said, under date August 30, 1904, referring to the Missouri litigation,—“The battle has cleared up and left us stronger than ever.” Again, in a circular letter to his agents, under date September 17, 1904, he said:

“You and your patrons can rest assured that we will continue successfully for all time to come. We have always been able in the past to handle litigation of all kinds, and I am free to confess that the burden at this time rests very lightly upon us.”

On September 20, 1904, in a circular letter to agents in reference to the information of *quo warranto* filed September 13th, he wrote, after referring to the State's claim that the charter of the company had been violated,—

“We have taken steps today to be ready to conduct



and carry on The Preferred Mercantile Co. of Boston under any and all conditions that may arise, regardless of what those conditions may be; and inasmuch as it may become necessary for the contract-holders to surrender to us the present contract that they now hold, it is not a bad idea to begin preparing them in advance. The new contract that we shall issue, if issued, will call for identically the same amount of future payments, if any, as the old contract calls for, will retain the same position in the new company, under the same management, and will approximately be redeemed in the same length of time, and will remain in the same series. \* \* In the meantime, no business will be transacted in Massachusetts from this office, but will be transacted from the office of the new company. It will not be necessary, however, to remove our clerks or present location, and all of your business will be transacted direct to this office by express, the same as you are transacting it now. This plan will enable us, as you see, to continue making our redemptions promptly each and every week, with or without the restraining order granted against the company by the state.

In preparing your customers for this, you can begin now with the statement that we have made a decided improvement in the plan of business and are going to give all the old patrons the opportunity to exchange their old contract for a new one which you expect will be delivered to you at your office within the course of the next two weeks. An unsurmountable barrier will be built around the new corporation to make it absolutely secure from any attack pending our successful decision at this point.



Now, do not jump at any conclusions nor work up any imaginations. We know exactly what we are doing in this case, and if you will consult direct with us on any point which you do not understand, everything will run smoothly. \* \* \*

One condition in the new contract is a provision providing a fund to meet and master unjust legislation and litigation. Our new charter will be more ironclad than ever, though the one we now have is perfectly so. 'Forewarned is forearmed,' and we are equal to the emergency. Pound away and attend strictly to business and we will do the rest, and, as before stated, give all your patrons from now on a hint that we are getting out an improved contract and that we will allow the old patrons the privilege of exchanging their old ones for the new ones.

These new contracts will be made out in advance, and as soon as we see that it is absolutely necessary to make the change we will forward them to you with instructions, and you can begin at once to deliver them. If you begin now preparing your patrons it will be an easy matter to accomplish the change.

Remember, we retain the same name, the same offices, and the new company will assume all the glory of the old with whatever has accrued. In the meantime, you can use your judgment about sending a copy of this communication to your sub-agents. I believe, however, that it is preferable to see them personally and explain the matter in as few words as possible. The numbers of the contracts will remain the same.

Be kind and gentle with the patrons, and always

remember that they cannot imagine or think things that you do not tell them.

\* \* \* Make it a point to call and visit personally each and every patron that has been affected by the recent litigation. You can conscientiously assure them that they will lose nothing by keeping up their payments, and those that do lapse out will benefit those that stay in. \* \* \*

Yours truly and confidentially,

G. E. Stillings,

President."

On September 23, 1904, in a private letter to J. Sam Brown, Nevada, Missouri, a contract-holder who had inquired about the litigation, he said:

"Replying to yours of the 17th inst. just received, will say that the business of The Preferred Mercantile Company of Boston will continue as heretofore, regardless of existing conditions or any conditions that may arise, court decisions, restraining orders or injunctions."

To another contract-holder, Charles J. Miller, Tonawanda, N. Y., he wrote, September 29, 1904:

"Business is continuing as usual and we have no doubts but that the litigation now in process will terminate in our favor. We do not know when a decision will be had in the case, but presumably within the next two months. In any event, the 'Preferred' will go on doing business as usual."

On October 12, 1904, he wrote a circular letter to the agency force of the corporation, as follows:

"We are pleased to notify you that arrangements are now fully completed by which we will be enabled to

cope with any arising conditions such as restraining orders or injunctions, and at the same time we will fully comply with the order of any court of competent jurisdiction. So there remains but one thing for our future success, and that is new business."

On November 26th the information in the nature of *quo warranto* was heard before Judge Braley and was reserved at the request of the company for the full court. On the same day the Attorney-General filed in the Supreme Court an information in equity, No. 9046 equity, against George E. Stillings, Guy C. Stillings, John F. Knisely and The Preferred Mercantile Company of Boston, defendants, alleging among other things that an information to forfeit the charter of The Preferred Mercantile Company was pending and that if that resulted in a judgment of ouster the officers of The Preferred Mercantile Company would be left with funds in their hands which ought to be administered under the control of the court by a receiver. Upon this information a preliminary injunction issued in the following terms:

"It is ordered and decreed by the court that The Preferred Mercantile Company of Boston, George E. Stillings, Guy C. Stillings and John F. Knisely, their agents and servants be enjoined from transferring, removing from the Commonwealth, or disposing in any way of the money or other property already received or which may be hereafter received by it or them or any of them in the course of the business of said Preferred Mercantile Company of Boston, except in the ordinary course of its business."

Of this injunction both George E. Stillings and Guy C. Stillings had knowledge on the date thereof, November 26, 1904.

Upon this preliminary injunction the information of contempt, entitled in the case No. 9046 equity, is based. While in general the business was conducted in the same manner after this injunction as before it, I find that the defendants George E. Stillings and Guy C. Stillings did the following acts by way of disposing of the money received by the corporation in the course of its business, and that these acts were not in the ordinary course of the business of the corporation.

1. They deposited the receipts of the corporation in the American National Bank in the name of L. A. Dooley.

2. They put the balances in the American National Bank standing in the name of L. A. Dooley out of the reach of legal process by certifying all checks drawn upon the account.

3. On December 15, 1904, they held a special meeting of the directors, at which the following votes, among others, were passed:

“Upon motion being duly made and seconded, it was voted the President of the corporation should draw a salary from time to time not to exceed (\$25,000) Twenty-five Thousand Dollars per annum. Ballots were duly prepared and cast, and the amendment duly adopted.

On motion, it was further voted that the President be empowered to increase the salary of any or all em-



ployes of the corporation from time to time as occasion demanded.

On further motion it was also voted that the acts of George E. Stillings as President and Manager of the corporation in placing the company's funds in the American National Bank in the names of G. E. Stillings and L. A. Dooley, in trust for the corporation be and hereby is ratified and approved."

At this meeting all the directors were present, namely, George E. Stillings, Guy C. Stillings and I. M. Walters.

4. In pursuance of the intention manifested in the above vote, that nothing should be allowed to accumulate in the expense fund, the defendants proceeded to get rid of the money, so that on March 14, 1905, the date of the forfeiture of the charter, the books show no balance in the expense fund.

November 26, 1904, the balance in all funds, \$5,-292.95; March 14, 1905, balance in all funds, \$104.39. November 26, 1904, balance in expense fund, \$1,953.31; March 14, 1905, balance in expense fund, 0.

Besides paying the running expenses of the Boston office, together with the salaries of Guy C. Stillings and the clerks, they disposed of the expense fund in the following ways:

(a) By turning over many thousands of dollars to George E. Stillings and Mrs. George E. Stillings. It was the custom for George E. Stillings to take at any time money from the expense fund in any amount. Checks were drawn to cash, the money was charged on the books to George E. Stillings, and that was the end

of it. He kept no accounts and took no vouchers. He had no salary, but treated the expense fund as his own. It is impossible to trace the disposition of it. He testified that he used it all for the best interests of the corporation, especially in traveling all over the United States establishing new agencies and entertaining patrons, present and prospective. Without intimating approval of this course of business, I hesitate to find this conduct in contempt of the injunction. It was his regular treatment of the corporation from the beginning, and had no apparent relation to the court decree. The decree being somewhat indefinite in its terms, I give him the benefit of the doubt.

(b). By purchasing contracts from their holders, paying for them out of the expense fund. The corporation, by instruction of George E. Stillings, would often purchase a contract before maturity by paying the profit for the week of its existence, according to the maturity table. This contract would then belong to the company, but since it did not look right for the corporation to hold and redeem its own contracts, the contract at its purchase would be transferred direct to the name of some clerk or agent of the corporation, and later would be redeemed out of the redemption fund and the money which redeemed it would be turned by the clerk or agent, its apparent owner, into the expense fund. Thus the expense fund was made to profit out of the redemption funds. Sometimes the company would redeem the same contract twice over, the second redemption being a plain theft from the redemption fund, as discussed below.

One purchase out of the expense fund was so plainly

a disposition of money out of the ordinary course of business that I speak of it by name and date. On March 14, 1905, the date the books were closed showing no balance in the expense fund, the corporation purchased from one C. J. Kendall his contract for its full redemption value, \$160, paying for it out of the expense fund. I find that this was done by instruction of George E. Stillings for the purpose of diminishing the funds of the moribund corporation, with intent on his part to redeem that contract later for the benefit of the expense fund of the new corporation which he expected would arise out of the assets of The Preferred Mercantile Company of Boston.

5. By instruction of George E. Stillings the corporation, out of the ordinary course of its business, which could only be known to the court as evidenced by the provisions in its contract, took from the redemption fund and put into the expense fund for disposition as above, large sums of money which ought to have been kept intact or paid out in the redemption of contracts.

It so disposed of its property by various means, as follows:

(a) After taking out 20 per cent. of the contract-holders' contributions for its expenses as authorized by the contract before the contributions were distributed to the various funds, the corporation transferred each week 20 per cent. out of each redemption fund and the contingent fund to the expense fund. The total amount so transferred from redemption to expense between November 26, 1904, and March 14, 1905, is \$21,341.92.

(b) It redeemed contracts standing in the name

of agents of the company to very large amounts. By such redemption the expense fund profited from the redemption fund by the difference between the amount of money paid in redemption and the amount of money given to the original contract-holders upon transfer to the agent.

(c) It redeemed contracts standing in the names of agents a second time for the benefit of the expense fund. For example: March 10, 1905, Guy C. Stillings redeemed contracts numbered B 2452-2455 by payment of \$640. The \$640, instead of being paid in this instance into the expense fund, was paid direct to George E. Stillings and has never been accounted for. These contracts had already been redeemed July 2, 1904.

December 17, 1904, it redeemed contracts numbered B 2733, 2734, by paying \$320 into the expense fund from the redemption fund. These had already been redeemed December 10, 1904.

December 17, 1904, it redeemed contract numbered A 2085 by paying \$160 from the redemption fund to the expense fund. This contract had already been redeemed November 12, 1904.

All the above contracts stood in the name of the clerk, I. Morton Walters.

6. George E. Stillings, both before and after the injunction, granted permission, or dispensation, as he called it, to agents to date back contracts from one to six months, so that the applications for them purported to be made long prior to their real date. The effect of this was to make the time of redemption, and consequently of profit to contract-holders, depend, not upon the terms



of the contract, but upon the arbitrary will of George E. Stillings. Since one's chance of redemption depends upon his contract being reached in order, to insert prior to his contract others which were issued six months later, is a gross violation of the contract. The redemptions of such antedated contracts which took place after the injunction were violations of the injunction.

The fact that some of these extraordinary acts which I have classified under the above six paragraphs, were done to some extent prior to November 26, 1904, as well as afterwards, does not, in my opinion, make them doings in the ordinary course of business.

Having discussed the violations of the injunction in No. 9046, Eq., I recur to the story of the defendants' acts which bear upon the decree of March 30, 1905, appointing the receiver of the corporation. At the point where I digressed to speak of the November 26th injunction in its chronological order, I left the defendant George E. Stillings preparing the minds of the company's agents for an adverse decision upon the *quo warranto* information.

After the reservation of this case for the full court the defendants organized a corporation under the laws of the District of Columbia, by name "The Preferred Mercantile Company of Boston," for the purpose of "taking applications for and issuing thereon diamond contracts, with full power to redeem them in their diamond or cash value." Of this corporation, which was stated in its articles of association to have its home office in Boston, but which I find was never admitted to do business in Massachusetts, George E. Stillings was president and Guy C. Stillings secretary and treasurer.

Under date of February 2, 1905, George E. Stillings wrote a circular letter to the agents, in which he said:

“Herewith enclosed find rubber stamp of The Preferred Mercantile Company of Boston, organized and incorporated under the laws of the United States, in the District of Columbia, Washington, D. C. Should you receive the following wire from us: ‘(Adverse decision. No appeal. Present company must stop. Change over.)’, then you can receive the regular payments from all contract-holders, giving them the regular receipt, by notifying them that the new company will issue them in due time (within thirty days) a new contract, which contract will be exactly the same as the present one, with all objectionable features as found by the court eliminated, and this stamp herewith enclosed must be imprinted then and thereafter upon all receipts and applications and all literature of the company that you give out.

While we fully expect a unanimous verdict in our favor, yet we refuse to take any chances as the case may hinge or turn upon some technicality. Again, while the case might be decided adversely, yet to our advantage, this plan is formulated in order that the business can continue uninterrupted regardless of which way the case is decided.”

George E. Stillings followed this letter by another circular letter to the agents, of the same date, in which he said:

“In reference to the rubber stamp sent you of The Preferred Mercantile Company of Boston, incorporated in the District of Columbia, Washington, D. C., I wish to say that if it becomes necessary to transfer the business

of the present company to that company on account of an adverse decision in our present case, that the contract in so far as the number of weekly payments and their amount and the general run of business is concerned, will remain the same, Contractholders in the present company will receive credit for the same number of payments in the new company that they have made in the old, will have a contract worded exactly the same as the present one; in fact will have exactly the same contract and the same position in the order of redemption that they now hold."

On February 15, 1905, George E. Stillings instructed the agents as follows:

"Should you receive the following wire, 'Adverse decision; present company cannot continue; change over.' Then in that event forward your collection reports made for the new company, stamped as per former instructions, to L. A. Dooley, 406 Winthrop Building, Boston, Mass., by express. \* \* \* Address all communications for literature and supplies to I. Morton Walters, 404 Winthrop Building, Boston, Mass."

March 3, 1905, the rescript of the full court came down declaring the charter forfeited. On March 4, George E. Stillings wrote a circular letter to the agents, stating the substance of the decision and concluding as follows:

"If you receive a wire from us to 'change over' follow our former instructions in reference to the District of Columbia company, and forward everything by express thereafter until further notified to I. M. Walters, 402 Winthrop Building."

At the same time he caused to be published in the Preferred Monthly, a periodical containing news of the various agencies and commenting on the business, which was distributed among the contract-holders the following article:

“The Supreme Court of Massachusetts, full bench of five judges, sitting on the 3d instant, handed down a decision in an action brought by the Attorney-General of Massachusetts against ‘The Preferred Mercantile Company of Boston,’ wherein the Attorney-General undertook to have the business of that company adjudged a ‘lottery.’ The court was unanimous in its decision in favor of the defendant. It said \* \* \*.”

Then followed that portion of the opinion of the court holding that the business was not a lottery, quoted as a full quotation of the opinion. The extract suppressed entirely the decision and so much of the opinion as was adverse to the company. After the extract purporting to be the full opinion the article went on as follows:

“This unanimous and broad-sweeping decision handed down by the full bench of the Supreme Court of Massachusetts, whose rigid supervision and jurisdiction over corporations are well known all over the entire world, in favor of The Preferred Mercantile Company of Boston, chartered and existing under the laws of Massachusetts, is a victory beyond explanation. The United States Postal Department officials have contended that in their opinion the business of The Preferred Mercantile Company of Boston was a lottery, which the company has ever contended that it was not,



and whose contention is now backed up by the Supreme Court of the most conservative state of the United States. The patrons of this company and its agents are to be congratulated upon having their interest allied with such an institution, and should give its management every support and encouragement and bring into the order as many of their friends and acquaintances as possible."

I find that this article was written, published and disseminated by George E. Stillings. This is but one illustration of his constant practice to keep the facts from the knowledge of the contract-holders. The agents were enjoined to tell the contract-holders no more than it seemed to George E. Stillings advisable that they should know.

This issue of *The Preferred Monthly* was sent out to the contract-holders enclosed in a circular written by George E. Stillings, calling attention to the discussion therein of the Supreme Court opinion, and saying:

"Desirous of keeping you fully informed from time to time of the improvements being made in diamond contracts, we beg to advise you that we will have something to communicate to you shortly that will beyond the shadow of a doubt meet with your hearty approval.

The Preferred Mercantile Company of Boston to and including March 11th paid its patrons, in satisfaction of diamond contracts, a total of over \$600,000. It operated its business in almost every state and territory of the United States and throughout all of Canada. Its business, like all others, is subject to being improved upon from time to time, and this communication is in

reference to improvements that we are now perfecting and of which we will send you more complete information a little later on."

On March 10, 1905, George E. Stillings issued a bulletin to agents, in which he said:

"In surrendering our old charter in order to make application for a new one, we of course cannot transact any more business under the old. However, your patrons can continue as before stated to make their payments for the proposed new company or they can withhold their payments until the new company is perfected. All those making their payments under the terms and conditions aforesaid, you are to forward them as usual by express to Guy C. Stillings, Room 402 Winthrop Building, Boston, Mass., until otherwise advised. The new company will be officered and managed by identically the same persons as the former one, and we will, without a doubt, have the most substantial, as well as attractive contracts ever yet offered the public and without making any radical changes from the old plan. Paid in full contracts will be exchanged without any additional expense to the holders thereof."

On March 14, 1905, the following judgment was entered of record in the *quo warranto* information, No. 9046 Law:

### "JUDGMENT OF OUSTER.

And now, after rescript from the full court, it is ordered and adjudged that the defendant The Preferred Mercantile Company of Boston has violated provisions of law whereby it has forfeited its charter; and that it be

forever forejudged and excluded from the exercise of each and all of its privileges and franchises.”

On March 15, 1905, George E. Stillings issued a bulletin to agents, in which he said:

“We beg to advise you that by our consent and upon application of our counsel we had judgment entered against The Preferred Mercantile Company of Boston on the 13th inst., thereby surrendering our charter of that company. We then made application for a new charter to be granted us under the laws of Massachusetts in the name of ‘The Preferred Mercantile Company.’ We, however, will carry the case of the former company to the Supreme Court of the United States to test the constitutionality of the law under which that charter was forfeited.

In reference to the new ‘Preferred Mercantile Company’ will say that the contract that we will issue under it will eliminate entirely the objectionable feature as found by the Supreme Court of Massachusetts, of which we have heretofore given you full information and the contracts of the new company will be exchanged for the contracts of the old company on the same basis as was done heretofore. That is, each patron will be credited thereon with the same number of weekly payments paid on the old and will have the same number of weekly payments to make to complete the contract. The series and numbers of contracts to be exchanged will remain the same. You can continue accepting weekly installments from your patrons for the proposed new company, notifying them of the fact that a new company is necessary for the elimination of the objectionable feature,

which we have ascertained we can remedy without making any radical changes. The fact that we will re-incorporate under the laws of the State of Massachusetts is, of itself, conclusive proof of our sincerity, and shows clearly that we are acting in the interests of the contract-holders.

\* \* \* We place our application for a new charter tomorrow and we do not anticipate much delay in obtaining it from the state, although it may necessitate us mandamus the commissioner of corporations to procure it, although this is only a surmise on our part. We have ascertained that it will not be necessary for us to operate under a foreign charter and we therefore prefer one in this state."

Thereafter, the Commonwealth of Massachusetts filed a bill, No. 9240 equity, asking the appointment of a receiver. The receiver was appointed and took possession of the company's office March 30, 1905.

Meanwhile between the judgment of ouster and the appointment of the receiver the business of The Preferred Mercantile Company of Boston, under the direction of the defendants, went on as usual. The following differences are the only ones of which there is any evidence:

(1) The bank account in the name of L. A. Dooley was closed and a new account was started in another bank, The New England Trust Company, in the name of Guy C. Stillings. Into this account, apparently his personal account, were put the receipts which came in daily by express from contract-holders of The Preferred Mercantile Company of Boston as payments of instal-



ments on their outstanding contracts. I find that the amount of such receipts from March 14 to March 30, 1905, was \$10,985.01.

(2) The books of The Preferred Mercantile Company of Boston were closed on March 14, 1904, and thereafter the accounts of the company were kept on loose sheets of paper.

(3) In some instances the agents stamped upon outstanding contracts of The Preferred Mercantile Company of Boston and upon the receipts of that company given for instalments paid upon such contracts, with a rubber stamp, the words "Incorporated and chartered under the laws of the United States in the District of Columbia, Washington, D. C. Home Office Boston, Mass. George E. Stillings, President."

In other respects the business went on as before, under the personal, attentive management of George E. Stillings. It even issued new contracts on the blanks of The Preferred Mercantile Company exactly similar to those contracts issued prior to March 14, 1905.

A new man came into the office force on March 13th, one Lucas H. Kendall, and took the place of Boston manager vacated by John F. Knisely. He continued in the employment of the corporation and collected several hundred dollars from the contract-holders as instalments on their outstanding contracts with The Preferred Mercantile Company of Boston. This amount was deposited under the instructions of George E. Stillings in the Washington Trust Company, being mingled with the private funds of Lucas H. Kendall in his own personal account.

On March 30, 1905, the receiver, after the defendants had knowledge of the decree, went to the office of The Preferred Mercantile Company of Boston and demanded of the defendants personally everything covered by the decree. The decree was as follows:

### “INTERLOCUTORY ORDER.

“This cause came on to be heard upon motion of the plaintiff, and thereupon it is ordered that Burton P. Gray of Boston be and he is hereby appointed temporary receiver of all the property and effects of the defendant, including all moneys, books and papers, lists of contract holders of the defendant and copies of such lists and papers, and the defendant, its officers, servants and agents are hereby ordered to deliver to said receiver all such property, moneys, books, papers and lists and copies thereof, and all moneys that shall arrive for the defendant, its officers, servants or agents.

The said receiver is to give bond in the sum of \$5,000 within three days from this date, and is to hold the property as receiver until the further order of the court.

Leave is given to either party to apply for a modification or for further orders.”

I find that the defendants secreted from the receiver the pass book in the New England Trust Company containing the account of the receipts of the corporation between March 14 and March 30, carried in the name of Guy C. Stillings, and the check book showing the drafts upon that account.

I find that they concealed from the receiver the pass book of the Washington Trust Company showing de-

posits of assets of The Preferred Mercantile Company of Boston standing in the name of Lucas H. Kendall, and the check book showing his drafts upon the same. I find that they concealed from the receiver all the papers and memoranda showing the business of the corporation after March 14, 1905. I find that they delivered to him only books and papers of the corporation kept prior to and including March 14, 1905.

While the books as balanced showed that there was on hand \$104.39 belonging to the various redemption funds on March 14, 1905, they delivered to the receiver only \$14.06. At the date of the appointment of the receiver I find that the defendants had in their possession at least the following amounts which they secreted and withheld from the receiver:

The \$10,985.01 above mentioned which came in from contract-holders of The Preferred Mercantile Company as instalments on their outstanding contracts between March 14 and 30th, 1905.

The money collected by Lucas H. Kendall as above stated from contract-holders in The Preferred Mercantile Company as instalments on their outstanding contracts, amounting to several hundred dollars. The testimony was not precise upon the point of its amount.

The \$640 above mentioned which was taken from the redemption fund on March 10, 1905, and paid to George E. Stillings in redeeming for the second time contracts B 2452-2455, standing in the name of I. M. Walters.

The \$104.39 shown by the books to be on hand belonging to the redemption funds on March 14, 1905.

Money which had been paid into The Preferred Mer-

cantile Company by contract-holders prior to March 14, deposited in the American National Bank in the form of certificates of deposit in the name of George E. Stillings, one of \$2000 deposited January 31, 1905, the other of \$5000 deposited February 16, 1905.

Money which had been paid into The Preferred Mercantile Company by contract-holders prior to March 14, deposited in the First National Bank in the form of certificates of deposit in the name of George E. Stillings, one of \$2000, deposited October 19, 1904, the other of \$5000, deposited February 23, 1905.

There was also money which had been paid into The Preferred Tontine Mercantile Company by contract-holders thereof and removed to Boston by George E. Stillings and deposited in The New England Trust Company August 5, 1904, in the form of a certificate of deposit in the name of George E. Stillings for \$5000. Of this there remained in The New England Trust Company undrawn on March 14th \$3500. I find that this was an asset of The Preferred Tontine Mercantile Company which was turned over and became an asset of The Preferred Mercantile Company though held in the name of George E. Stillings. On or about May 11, 1905, during the pendency of this hearing, George E. Stillings cashed the certificate of deposit and spent the money.

None of this money was delivered to the receiver except the \$14.06 above mentioned.

During the pendency of the contempt proceedings the receiver learned of the two certificates of deposit in the American National Bank and the two certificates



of deposit in the First National Bank, aggregating \$15,000, above described. Also of a certificate of deposit in The American National Bank in the name of George E. Stillings, dated May 11, 1905, for \$642.62. These the receiver called to the attention of the Supreme Court on June 6th, and George E. Stillings was ordered to turn them over to the receiver forthwith, the receiver to keep the proceeds thereof in a separate fund pending a determination of the question to whom they belonged.

The day the receiver was appointed, March 30, 1905, Guy C. Stillings drew a check upon the account of The Preferred Mercantile Company in The New England Trust Company, standing in his name, payable to cash, for \$8000, and delivered it to George E. Stillings who cashed it. Guy C. Stillings did this because George E. Stillings told him to do it, and for no other reason.

After the appointment of the receiver the defendants went to their office in the afternoon and found the receiver in possession. The same afternoon, after George E. Stillings was acquainted with the decree, he said to the receiver, in substance, "Because the Supreme Court of Massachusetts has been persuaded to find that this company has been doing business in violation of law you must not think we are whipped. We have never been whipped, and this business is going to continue." Being asked where the money was which was daily coming in from contract-holders as instalments on their contracts with The Preferred Mercantile Company, George E. Stillings said that he was not fool enough to tell where the money was coming from or who had it.

Later that same afternoon a letter was sent to each

of the following express companies,—Adams Express Company, American Express Company, Wells, Fargo Express Company and National Express Company, in language as follows:

“This is to notify you to not deliver any packages whatsoever to Guy C. Stillings or our proposed new organization (unincorporated ‘The Preferred Mercantile Company’) but hold the same at your office and same will be called for.

This is to certify that no moneys or packages whatsoever of our knowledge are being sent to the Winthrop Building at Boston for The Preferred Mercantile Co. of Boston (unincorporated), nor have we any knowledge of any packages to come for said corporation; and this is to certify that all packages being sent to Guy C. Stillings or our proposed new organization are for the latter named parties.”

The four letters all of the above tenor, were dictated by George E. Stillings and signed by Guy C. Stillings. George E. Stillings told Guy C. Stillings that his reason for sending those letters was that he didn’t want the stuff coming in to fall into the receiver’s hands.

That same afternoon George E. Stallings told the clerks in the office of The Preferred Mercantile Company not to receive any more express there, but to take it and sign for it in another office.

The receiver obtained from these express companies during the next few days packages from various agencies of The Preferred Mercantile Company, containing moneys and drafts addressed to the corporation, to Guy C. Stillings and to George E. Stillings. After

a few days no more packages came. Numerous letters from the contract-holders to the receiver, which came to him during the pendency of these contempt proceedings and which were introduced in evidence by the defendants themselves, without objection from the Attorney-General, make it clear that during the pendency of these proceedings and even as late as the first week in June, many of the contract-holders of The Preferred Mercantile Company of Boston have been paying to the local agents the regular instalments on their contracts with that corporation.

In conclusion I find that the series of acts which I have enumerated were done with wilful, carefully devised intent to disobey the decrees of this court.

At the request of the defendants and with the consent of the Court, I report all the evidence.

JAMES D. COLT,  
Special Master.

A true copy.

Attest:

Walter F. Frederick,  
Assistant Clerk

## COMMONWEALTH OF MASSACHUSETTS.

Suffolk, ss.

No. 9240 Eq.

Supreme Judicial Court in the matter of the information for contempt filed on March 31, 1905, by Frederick H. Nash, Assistant Attorney General, on behalf of the Commonwealth against George E. Stillings and Guy C. Stillings in Commonwealth of Massachusetts

v.

The Preferred Mercantile Company of Boston.

This matter came on to be heard before me at Boston on the eleventh day of July, 1905, the Attorney General and each of the respondents George E. Stillings and Guy C. Stillings being present in person and the respondent George E. Stillings being also represented by his counsel Charles W. Bartlett, Esq., and the respondent Guy C. Stillings by his counsel Robert W. Nason, Esq.

The report of James D. Colt, Esq., special master, filed June 29, 1905, was laid before me and the effect to be given thereto was argued by counsel, as was also the cause in general. Having considered the question of the effect to be given to the master's report I felt that it was the better course for me to take up the question whether upon the evidence reported by the master the respondents or either of them were guilty of contempt as alleged in the information, without reference to the specific findings of fact or the general finding contained in the master's report, and I have pursued that course without making any specific ruling as to the effect to be given to the conclusions and findings of a master under circumstances like those of the present instance, and I have considered the case of the several respondents only upon the pleadings, the evidence reported by the master and the exhibits accompanying the same and the arguments of the Attorney General and of the several counsel for the respective respondents and upon certain oral testimony of the respondent George E. Stillings produced in open court before me



and reported by a stenographer in a volume marked by me J. M. B. July 11, 1905.

I accordingly have read and considered all the evidence reported by the master in the two volumes containing 1195 typewritten pages accompanying the master's report, the volume marked J. M. B. July 11, 1905, and also all the exhibits specified by either the Attorney General or the several counsel of the respective respondents in argument and also all the exhibits specified in a memorandum handed to me by leave on July 14, 1905, by Messrs. Bartlett and Nason of counsel.

In reading and considering the evidence I was of opinion that no fact should be found to be established unless upon the evidence it was proved beyond a reasonable doubt and I have governed myself by that rule in making the following findings:

First I find that between the fourteenth day of March, 1905, and the thirtieth day of the same March the said George E. Stillings and Guy C. Stillings and each of them received at Boston large sums of money from agents of the said Preferred Mercantile Company of Boston, which money belonged to said Company, and that on said thirtieth day of March the said George E. Stillings and the said Guy C. Stillings had said money so received in their possession and control, and that on said thirtieth day of March said money was duly demanded by Burton P. Gray, Esq., Temporary Receiver of said Company by virtue of the order entered in this cause requiring the said Preferred Mercantile Company of Boston, its officers, servants and agents to deliver to the said receiver all the property of said Company, and

that on said thirtieth day of March the said George E. Stillings and the said Guy C. Stillings each having full knowledge of said order, and each knowingly and deliberately intending to disobey the said order, each refused to deliver to the said Gray as temporary receiver the said money of said Company so as aforesaid then in their possession and control, under the pretense that said money was received by them as agents of a new corporation other than the said Company, and so that the said George E. Stillings and the said Guy C. Stillings each were and are severally guilty of wilful and deliberate intentional disobedience of the said order of March 30, 1905, and each guilty therein and thereby of contempt of this court, within the allegations of said information of contempt.

And further upon considering the said report of the said special master I find that the statements of fact therein are duly established upon the evidence.

JAMES M. BARKER,

J. S. J. C.

A true copy.

Attest:

Walter F. Frederick,

Assistant Clerk.

COMMONWEALTH OF MASSACHUSETTS.

Suffolk, ss.

Supreme Judicial Court.

No. 9046 Eq.

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In the matter of the information for contempt filed  
on April 11, 1905,

Attorney General

v.

George E. Stillings and Guy C. Stillings.

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This matter came on to be heard before me at Boston on the 11th day of July, 1905, the Attorney General, and each of the above named respondents being present in person, and the respondent George E. Stillings being also represented by his counsel Charles W. Bartlett, Esq., and the respondent Guy C. Stillings by his counsel Robert W. Nason, Esq.

The report of James D. Colt, Esq., Special Master, filed June 29, 1905, was laid before me, and the effect to be given thereto was argued by counsel, as was also the cause in general. Having considered the question of the effect to be given to the master's report, I felt that it was the better course for me to take up the question whether upon the evidence reported by the master, the respondents or either of them were guilty of contempt as alleged in the information without reference to the specific findings of fact or the general finding contained in the master's report and without giving any effect as proof to the findings of the master, and I have pursued that course without making any specific ruling as to the effect to be given to the conclusions and findings of a master under circumstances like those of the present case, but not considering or giving any weight to the findings and conclusions of the master in the present instance, and considering the case of the several respondents only upon the pleadings, the evidence reported by the master and the exhibits accompanying

the same and the arguments of the Attorney General and of the several counsel for the respective respondents, and upon certain oral testimony of the respondent George E. Stillings produced in open court before me and reported by a stenographer in a volume marked by me, J. M. B. July 11, 1905.

I accordingly have read and considered all the evidence reported by the master in the two volumes containing 1195 type written pages accompanying the master's report, the volume marked J. M. B. July 11, 1905, and also all the exhibits specified by either the Attorney General or the several counsel for the respective respondents in argument and also all the exhibits specified in a memorandum handed to me by leave on July 14, 1905, by Messrs. Bartlett and Nason.

In reading and considering the evidence I was of opinion that no fact should be found to be established unless upon the evidence it was proved beyond a reasonable doubt and I have governed myself by that rule in making the following findings:

I find that by the preliminary injunction issued by this court in the cause on November 26, 1904, and referred to in this information for contempt, the said George E. Stillings and the said Guy C. Stillings were duly enjoined from in any way disposing of the money of the said Preferred Mercantile Company of Boston, then already received or which might thereafter be received in the course of its business otherwise than by disposing of such money in the ordinary course of the business of said Company and that on said November 26, 1904, and at all times thereafter the said George E.



Stillings and the said Guy C. Stillings each had full notice and knowledge of said order and of said injunction therein contained.

That wilfully and knowingly intending to disobey said injunction, for the purpose of so disposing of the money of said Company that in case its charter should be decreed and adjudged by this court to be forfeited and avoided they the said George E. Stillings and Guy C. Stillings might nevertheless and in defiance of any order which might be made by this court for the disposition of said money use and control said money in carrying on the business then being done and solicited by said Company, for their own benefit and advantage, after the entry of such order by this court, the said George E. Stillings and the said Guy C. Stillings did each at different times after the said November 26, 1904, and before April 10, 1905, dispose otherwise than in the ordinary course of the business of said Company and belonging to said Company, namely

From said November 26, 1904, to April 14, 1905, the said George E. Stillings and the said Guy C. Stillings caused the current funds of said Company to be deposited in bank not in the name of the said Company but in the name of one L. A. Dooley.

After November 26, 1904, and before April 10, 1905, the said George E. Stillings and the said Guy C. Stillings caused large sums of money of said company to be expended and disposed of in the purchase by the corporation contracts which the ordinary course of its business was to redeem in due order and not otherwise to expend its money for or on account of.

After November 26, 1904, and before April 10, 1905, the said George E. Stillings and the said Guy C. Stillings caused large sums of the money of said Company to be expended and disposed of in the redemption of contracts out of their due and regular order of redemption.

After November 26, 1904, and before April 10, 1905, the said George E. Stillings and the said Guy C. Stillings caused large sums of the money of the said Company to be expended and disposed of in the making of preparations intended and designed by them solely for the purpose of enabling them to continue to carry on the business of the corporation which should be outstanding and not closed at the time of the decision of this court as to the forfeiture of the charter of the Company, in disregard of such decision if the same should be in favor of the Commonwealth and adverse to the Company.

And so I find and determine that the said George E. Stillings and the said Guy C. Stillings each were and are severally guilty of wilful and intentional and deliberate disobedience of said order and injunction of this court made and entered on November 26, 1904, and that each of them was and is guilty therein and thereby of contempt of this court, within the allegations of said information of contempt.

And further upon considering the said report of the said special master I find that the statements of fact therein are duly established upon the evidence.

JAMES M. BARKER,

J. S. J. C.

A true copy.

Attest:

Walter F. Frederick,

Assistant Clerk.

## COMMONWEALTH OF MASSACHUSETTS.

Suffolk, ss.

Supreme Judicial Court.

No. 9240 Equity

---

Commonwealth of Massachusetts

vs.

The Preferred Mercantile Company of Boston.

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And now it appearing to the Court that George E. Stillings and Guy C. Stillings each have heretofore been arrested and brought before this court by virtue of a *capias* issued in the above entitled cause for a contempt of this court, in that they have each failed and neglected to obey the decree of this court entered in the above entitled cause, dated March 30, A. D. 1905, wherein it was ordered that the respondent corporation, its officers, servants and agents, deliver to Burton Payne Gray, Esquire, the temporary receiver therein named, all property, moneys, books, papers and lists of contract-holders and copies thereof, and all moneys that should thereafter arrive for the respondent corporation, its officers, servants and agents, and that each was thereafter admitted to bail to abide the final order of the court thereon, and they the said George E. Stillings and Guy C. Stillings each having appeared and now being in person before said court, on this eleventh day of August, A. D. 1905, and having heretofore been examined under the direction of the court touching the matters and things alleged against them as aforesaid, and each having been fully heard thereon; and it appearing to the court on such examination and hearing that the said George E.

Stillings and Guy C. Stillings are each guilty of the contempt of court alleged against them, in that they have failed and neglected to obey the terms of the said decree and each have wilfully failed and refused and still wilfully fails and refuses to obey the said decree and order of this court:

It is Ordered, Adjudged and Decreed, that the said George E. Stillings and Guy C. Stillings are each guilty of contempt of this court as aforesaid and that the said George E. Stillings be and he hereby is sentenced to suffer imprisonment in our common jail in our County of Suffolk for the period of

One year from this date,  
unless he be sooner discharged by the further order of our said court, or some justice thereof; and that the said Guy C. Stillings be and he hereby is sentenced to suffer imprisonment in our common jail in the County of Suffolk, for the period of

One year from this date,  
unless he be sooner discharged by the further order of the court or some justice thereof.

And on motion of Herbert Parker, Esquire, Attorney General of the Commonwealth, it is ordered that the said George E. Stillings and Guy C. Stillings, for their misconduct and contempt of court as aforesaid, be committed to our common jail of the County of Suffolk, for the respective periods as above set forth, unless they be sooner discharged by the further order of this court, or by due process of law.

By the Court,  
WALTER F. FREDERICK,  
Assistant Clerk.



August 11, 1905.

A true copy.

Attest:

Walter F. Frederick,  
Assistant Clerk.

**EXHIBIT "E."**

A. D. Baker & Co.,  
723 Chamber of Commerce,  
Portland, Oregon.

Gentlemen:

My attention has been called to the fact, that you are representing the National Mercantile Company, limited, of Vancouver, B. C., and that through you, at its representative, this company is transacting and has transacted a considerable business in this State. I call your attention to the fact, that such operation is in violation of the law, and I enclose you forms for the entrance of your Company in this State, suggesting that you at once comply with the statutes.

Trusting to hear from you at the earliest moment possible, I am

Very sincerely,

H

**EXHIBIT "F."**

**THE NATIONAL MERCANTILE COMPANY,  
LIMITED.**

Home Office

Winch Building, Vancouver, B. C.

August 21st, 1913.

R. A. Watson, Esq.,  
Corporation Commissioner,  
State of Oregon.

Sir,

I am in receipt of a communication to Messrs. A. D. Baker & Co. of 723 Chamber of Commerce, Portland, Oregon, under date of August 18th, 1913. In reference thereto allow me to inform you that A. D. Baker & Co. are in no way shape or manner the Agents or Representatives of The National Mercantile Co. Ltd. of Vancouver, British Columbia.

Further that this Company does not maintain any office nor any Agent in the State of Oregon, but that we transact all of our business therein through the mails and under the protection of the Inter-State Commerce Act of the United States.

The connection that Messrs. A. D. Baker & Co. maintain with this Company is that of Purchasers of our Contracts; these contracts are secured by mail upon application and are sold direct to Messrs. A. D. Baker & Co. The transaction as such is legal in any Court and we can and will maintain it such.

I note your suggestion to A. D. Baker & Co. that

this Company become licensed under the Oregon "Blue Sky" Law.

In reference thereto I am taking such subject up under a separate communication of even date herewith and will await your further pleasure in the matter.

However, I wish to advise you that until our Company becomes licensed as per your suggestion that we will continue to prosecute the mail order business of this Company in the State of Oregon, which is the same plan of business that we transact in Washington, California, Missouri. Our Company operating by license in the States of Colorado, Nebraska, Massachusetts, and in British Columbia and New Brunswick, Canada.

I beg also to advise you that heretofore we have made effort to license in the State of Oregon under the Foreign Corporations Act, but were refused on the ground that we were a Building and Loan Association, which is not true for many reasons, and for the very simple reason that our Contract guarantees a definite profit at a definite time and our Contract Holders are not required to assume a partnership liability.

Awaiting your further advices,

I beg to remain,

Yours truly,

(Signed) G. E. STILLINGS,

President.

**EXHIBIT "G."**

**THE NATIONAL MERCANTILE COMPANY,  
LIMITED.**

Home Office

Winch Building, Vancouver, B. C.

August 21st, 1913.

R. A. Watson, Esq.,  
Corporation Commissioner,  
Corporation Dept. Salem,  
Oregon.  
Sir,

Acting upon your suggestion received through Messrs. A. D. Baker & Co. of Portland Oregon, I am herewith enclosing you a copy of Contract as issued by this Company, which in itself shows in full detail the plan upon which we propose to transact business and it is the only contract or plan that we make with the public.

The name and location of the Company is shown upon our literature.

In reference to a financial statement, will say that after you have gone into the matter of our right to transact business in Oregon under, and according to, our Contract and printed matter and, if your decision is in our favour, we will be glad to make the financial statement and comply with all other requirements including the payment of the fee of \$100 and the Filing Fee of \$50.

Awaiting your further pleasure,

I beg to remain,

Yours truly,

(Signed) G. E. STILLINGS,

President.

K/GES



**EXHIBIT "H."**

Aug. 25, 1913.

The National Mercantile Co., Ltd.,

Winch Building,

Vancouver, B. C.

Attention

Geo. E. Stillings

Gentlemen:

I am in receipt of your letters of August 21st, in reference to my communication to Messrs. A. D. Baker & Co. of Portland, listed in your literature as agents of your company.

I note your explanation of the procedure under which you transact business in this State. This, in my opinion, is a patent evasion of the laws of this State. It matters not whether you come under the building and loan statute. If you come under this statute, you should enter the state as a building and loan association, and comply with the laws in reference thereto; if not, you should enter as a foreign corporation and comply with the general laws, regulating the entrance and transaction of business in this State by foreign corporations.

This is to notify you, that the sale of your contracts in this State will be considered a violation of the law, until such time as you have complied with the statutes. I am notifying A. D. Baker and Mr. Faulkender to this effect.

I am forwarding you under separate cover blanks necessary for the entrance of your company into the State, together with copy of the general Corporation Laws, and a copy of Chapter 341, G. L. 1913.

Trusting that you will give the matter your immediate attention, I am,

Very truly yours,

H

Filed April 28, 1914. A. M. Cannon, Clerk.

And afterwards, to wit, on the 15th day of June, 1914, there was duly filed in said Court, and cause an ANSWER OF DEFENDANTS A. M. CRAWFORD, ET AL., in words and figures as follows, to wit:

**ANSWER OF A. M. CRAWFORD, ET AL.**

Come now the defendants, A. M. Crawford, Walter H. Evans, John Irwin, E. E. Kelly, George M. Brown, Joseph M. Devers, Arthur Clarke, Lawrence A. Liljequist, Gale S. Hill, Ernest R. Ringo, Gilbert L. Hedges, D. H. Upjohn, E. B. Tongue, C. W. Mullens, W. B. Dillard, W. A. Bell, Frederick H. Steiwer, and C. T. Godwin, and as a plea and abatement to the bill herein allege the following facts, to wit:

**I**

That the plaintiff has never been and is not now a corporation organized or existing under the laws of the State of Oregon; that since October, 1912, it has been engaged and is now engaged in business in making loans and taking mortgages within the State of Oregon, all as alleged and described in the Bill of Complaint, but that it has not at any time prior to or since the commencement of this suit complied with the laws of the State of Oregon, and particularly Section 6707 Lord's

Oregon Laws, Volume III, page 2407, in this: That it has not at any time furnished or offered to the Secretary of State, upon blanks to be supplied by the said Secretary, or otherwise, a correct or any statement, sworn to by one of the officers of plaintiff, or the managing agent, or authorized attorney in fact, or otherwise, before an officer duly authorized to administer oaths, or otherwise, or setting forth the name of the plaintiff, or the location of its principal office, or the names of its president, or secretary or treasurer, or with the post office address of each or either, or the date of the annual election of directors or officers of such corporation, or the amount of the authorized capital stock, or the number of shares or par value of each share, or the amount of capital stock subscribed, or the amount of capital stock issued, or the amount of capital stock paid up, or any statement giving the name or post office addresses of its managing agents, or attorneys in fact in the State of Oregon; and it has not complied with the other provisions of the said section in any respect, but which provisions are not herein specifically referred to for the reason that the other provisions of the section have been declared to be unconstitutional by the Supreme Court of the State of Oregon in the case of *HIRSCHFELD v. McCULLOUGH*, 130 Pac. 1131.

The plaintiff has not complied with the laws of the State of Oregon, and particularly Section 6726, Lord's Oregon Laws, Vol. III, page 2413, in this: That the plaintiff has not duly or otherwise executed or acknowledged a power of attorney, or caused any power of attorney to be recorded in the office of the Secretary of

State, appointing a person, a citizen of the United States, or a citizen or resident of this state, or otherwise, as attorney in fact for the plaintiff, and has not, at any time, appointed or maintained any person, qualified or otherwise, as its attorney in fact.

And the plaintiff has not complied with Section 6727 of Lord's Oregon Laws, Vol. III, page 2414, in this: That it has not filed with the Secretary of State or the Corporation Commissioner, a written or other declaration of its desire or purpose to engage in business within this State, or setting forth any name under which it proposes to transact business, or the name of the State or country under whose laws it was organized, or the location of its home office, or the date of its formation or incorporation, or the amount of its capital stock, or the nature of the pursuit, business or occupation in which it is authorized to engage, or the location of its principal office within this State, or the name of any attorney in fact, or the names or addresses of its principal officer, or of its directors or trustees, or the name or residence of its general agent within the state of Oregon, or any accompanying certified or other copy of its charter or articles of incorporation, either certified by the legal keeper of the original, or otherwise, or by the United States Ambassador, Minister, Consul-General, Vice-Consul or Charge D'Affaires of the foreign country under whose jurisdiction the plaintiff was or claims to have been formed, or any certificate of such officer that he has the requisite official knowledge as to whether such charter or articles of incorporation are of a genuine, valid or subsisting character, or that such copy was



duly certified by the officer having the legal custody of the original. And this plaintiff has not complied with said last named Section, in this: That it has not, at any time, offered or paid to the Secretary of State, or to the Corporation Commissioner, the sum of \$50.00, or any part thereof, required by the said Section, for filing and recording the said papers. And the plaintiff has not complied with the act of the Legislature of 1913, General Laws of Oregon, 1913, page 772, in that it has not paid or offered the annual license fee of \$100.00 therein provided to be paid. By reason of the premises the plaintiff has not been authorized to transact any of the business which it has transacted, and it is not authorized to transact any further business in the State of Oregon, and is not authorized to maintain this suit, for that Section 6708, Lord's Oregon Laws, Vol. III, page 2408, provides in effect that a failure of a foreign corporation to pay any fee which shall have become due and payable against it as provided in the said act, or any law of this State, prohibits it from maintaining any suit, action or proceeding in any court of justice within the State while such delinquency should continue; and for that the said Section 6726 provides in effect that a failure to appoint an attorney in fact as provided in said section, as aforesaid, prohibits the plaintiff from transacting any business within this State, or maintaining any action, suit or proceeding in its courts. And the defendants further allege that neither the Secretary of State nor the Corporation Commissioner has issued to the plaintiff any certificates to the effect that the plaintiff has filed a declaration required by the said Sections, as aforesaid.

And further answering the bill in this case, upon the merits,

## II

These defendants say that defendants have no information sufficient to form a belief as to whether the plaintiff is a corporation organized or existing under the laws of the Province of British Columbia, Dominion of Canada, or has its general offices or principal place of business in the City of Vancouver, Province of British Columbia, Dominion of Canada, and leave the said allegation to be proved.

## III

These defendants deny that this is a suit between citizens of different states.

## IV

These defendants admit that the plaintiff is engaged in the business of loaning money upon mortgage security upon real property, and that the contracts it makes are in form as marked "Exhibit 1" of the bill of complaint; and that the application therefor is as "Exhibit 2" of the bill of complaint, and the application from A. D. Baker to the complainant is as "Exhibit 3" of the bill of complaint; and that the plaintiff issues such contracts to prospective borrowers, and that the borrowers are placed in groups of one hundred in the consecutive order of the signing of the contracts, and upon the accumulation of sufficient funds in the loan fund of the plaintiff, the borrowers become entitled under such proposed contract to loans in their consecutive order.

These defendants admit that the plaintiff maintains offices in many cities of the different states of the United States of Amercia, and also in many cities of the various provinces of the Dominion of Canada, and appoints agents who have charge of certain allotted amounts of territory.

These defendants admit that the borrower is required to sign an application as stated in the bill, a copy of which is "Exhibit 2," which is presented to the plaintiff's representative, and at the same time the said representative places an application with the plaintiff for the loan.

These defendants admit that the general agent of the plaintiff in Oregon is A. D. Baker, and that his office address is room 723 Chamber of Commerce Building, Portland, Oregon, in which city and state he regularly resides. They admit that when the application is approved by the plaintiff, plaintiff issues to the said A. D. Baker an undertaking, under seal, whereby the plaintiff, in consideration of the payment of 1/100 of the amount of the desired loan each month, undertakes and agrees to pay to the said A. D. Baker the amount of the loan desired as soon as the loan fund of the plaintiff contains a sufficient amount of money to make up the said loan; that the said undertaking, by express terms, is assignable, and the said A. D. Baker, upon the receipt of the said undertaking, at once assigns the same over in writing to the prospective borrower, who thereupon makes his payments to the said A. D. Baker, or to the plaintiff at the option of the borrower. But in this connection these defendants allege that the last named provisions of the said contract and of the said

plan of plaintiff constitute a device by which it is sought to make it appear that the loans are made by the Company in its home office with A. D. Baker, in Oregon, so as to claim that it is not doing the said business within the State of Oregon; but that in truth and in fact the said A. D. Baker is the agent of the plaintiff residing and doing business within the State of Oregon, as alleged in the complaint, and as admitted in this answer.

These defendants admit that the loan fund of the plaintiff is composed of the monthly installments, together with repayments of various loans made by it, and that the loans made by the plaintiff to its various borrowers are secured by mortgages upon real property in Oregon, or wherever it borrowers live, and that they draw three per cent annual interest. These defendants admit that the said loans are repaid to the plaintiff by the borrowers in monthly installments of seventy cents per month of each one hundred dollars borrowed, with interest at three per cent; that the plaintiff likewise sells the people in Oregon, and elsewhere, matured contracts, ready for loans, which loans when made pay the plaintiff five per cent annual interest; and that the application for loans, as soon as received by plaintiff, are at once given a consecutive number in the order of their receipt, and are placed in classes of one hundred. But whether the payments made upon the groups of contracts of one hundred are kept in individual funds, or whether the contract holder in each group of one hundred having the oldest date is the first to secure a loan, or whether thereafter the loans are made in the chronological order of the issue of the contracts, these defend-



ants have no knowledge or information sufficient to form a belief and leave the said allegations to be proved to the satisfaction of the Court.

## V

These defendants admit that the home office is, and some of the business affairs of the plaintiff are conducted in the City of Vancouver, Province of British Columbia, Dominion on Canada; but deny that the said affairs are administered in accordance with the laws or regulations of the said alleged sovereignty, or that they are all or any of them conducted in lawful, honest or meritorious manner.

## VI

These defendants admit that the plaintiff, by its agents and representatives, is offering in the State of Oregon to take applications for loans and to enter into contracts with borrowers for loans; and that plaintiff by advertisement and otherwise professes the business for taking applications for loans and making such loans, and entering into contracts for such loans, and that it is engaged in such business in the State of Oregon, as alleged in Paragraph VI of the bill of complaint. That the taking of such applications and the making of such contracts are in the course of continuous and successive transactions of a similar nature, and that the plaintiff is not, in taking applications and making such loans, acting in a trust capacity created by law.

## VII

These defendants admit that the plaintiff has been engaged in the said loan business since the month of

October, 1912, and since that time it has vigorously conducted its said business. These defendants deny that plaintiff has invested large or any sums of money in said business, but allege that the money that it has consists solely of the payments of the monthly installments of the borrowers, as provided in the said contract "Exhibit 1" of the bill of the plaintiff.

As to whether the plaintiff has acquired mortgages or other securities of great value, or has outstanding a large or any number of contracts of great or any value, of the kind described in the preceding paragraphs, the defendants have no knowledge or information sufficient to form a belief and leave the said allegations to be proved to the satisfaction of the court.

These defendants admit that the plaintiff has contracted from time to time to make such loans of the kind described in "exhibit one."

## VIII

These defendants have no knowledge or information sufficient to form a belief as to whether the plaintiff has expended or invested large or any sums of money in advertising, or in the establishment of its said business, or has acquired in the course of such business, a valuable good-will or an extensive clientele, or has acquired valuable information as to the conduct of its business, or information as to the names and addresses of the persons, firms and corporations who desire loans of the character described in the bill, or whether it has acquired such valuable good-will, information or other property, as above described, in the State of Oregon, and

therefore submit the said allegations to be proved to the satisfaction of the Court.

These defendants admit that the plaintiff sends into the State of Oregon its agents and employees, to there solicit applications for loans, and transmit the said applications to the plaintiff in Vancouver, British Columbia, and make the said loans in the State of Oregon; and admit that the said applications are accepted by plaintiff in Vancouver, British Columbia, and that said contracts are then forwarded to the contract holders in Oregon, but whether from the offices of the plaintiff in Vancouver, British Columbia, the defendants have no knowledge or information sufficient to form a belief and leave the said allegation to be proved.

## IX

These defendants deny that the representations made by the plaintiff, or by its agents or representatives, as to the contracts and applications therefor, and loans, are true representations.

## X

These defendants say they have no information sufficient to form a belief as to whether or not the plaintiff has been, or now is, solicited by various persons, firms or corporations, to secure applications for loans, and loans, as described in the bill, or that it has contracted to make such loans, or that the owners of such contracts therefor have undertaken or agreed to pay the plaintiff a compensation for such loans, and therefore leave the said allegations to be proved to the Satisfaction of the Court.

## XI

These defendants admit that the plaintiff and those with whom it has agreements have been informed that the said loans described in the bill cannot be made in Oregon, unless full compliance is made by the plaintiff with Chapter 341, General Laws of Oregon for 1913, which became effectual on the 3rd day of June, 1913.

## XII

These defendants admit the allegations of the provisions of the act of the Legislature of 1913, as set forth in the bill of complaint entitled "An Act to protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a corporation department, to administer this and other laws relative to the regulation and supervision of corporations, and providing penalty for the violation hereof," and that "Exhibit A" attached to the bill is a correct copy of the said law.

## XIII

These defendants admit that defendant, R. A. Watson, Corporation Commissioner, has declared publicly his intention to enforce the provisions of said act, and his intention to prevent any sale or offer for sale in Oregon of securities covered and regulated by said act, and as to which the issuer thereof or the seller thereof has not in all respects complied with said act, and has declared his intention to enforce the penalties in said act set forth for any violation thereof; and admits that he caused the arrest upon warrant for the arrest of the said A. D. Baker, General Representative, and the said George E. Stilling, President of the plaintiff, and of



C. H. Hune and O. Sundberg, Local Representative of the plaintiff in Lane County, Oregon, and that the said arrests were made upon the complaint of the said Corporation Commissioner, and prosecuted by the District Attorneys in the respective counties in which the arrests were made, and that all said arrests were made for soliciting applications for loans from the plaintiff in the manner set forth in said bill, and for the violation of the terms of the said act.

#### XIV

These defendants admit that the defendant, R. A. Watson, issued the bulletin which is "Exhibit B" of the bill, and has prepared for use a preliminary report, Sheet 1, and a preliminary report, Sheet 2, which are "Exhibits C and D" of the bill, and the blanks, all as alleged in the bill of complaint, and has prepared for use application blanks and report blanks, which are "Exhibits E and F" of the bill; and admit that the said preliminary reports, "Exhibits C and D," require the information set forth in Paragraph XXXVI of the bill, and the subdivisions thereof; but deny that any right or property right of the plaintiff is invaded or destroyed, or its freedom to contract curtailed, impaired or destroyed, or that it is otherwise damaged in its business or property by reason of the said act of the Legislature, or the said act of the defendants.

#### XV

These defendants admit that the defendant, R. A. Watson, has issued the "Application of Stock Broker," a copy of which is "Exhibit E" of the bill.

## XVI

In respect of the allegation of the bill that the said act of the Legislature is unconstitutional and void, the defendants deny the conclusions stated in the said allegations, but are advised that, being allegations concerning questions of law only and not of fact, they are not required to answer specifically each of the said contentions; but allege on the contrary that the said act is in none of its provisions contrary to the Constitution of the United States, or of the State of Oregon.

## XVII

These defendants deny that any immediate or irreparable or other injury will be caused to the plaintiff by reason of the enforcement of said act.

## XVIII

And further answering the said bill, these defendants allege that George E. Stillings is the president of the plaintiff and the principal owner and controller of its business; that it was organized by him, and that the plaintiff is the instrument of the said George E. Stillings through and by which to operate his plan and scheme. That the plan and scheme set forth in the bill is not an honest plan or scheme, but is devised and operated for the purpose of defrauding the general public of the State of Oregon. That the said plaintiff, operated and controlled by the said George E. Stillings as aforesaid, intends, in its operation, to defraud its customers, and that the plan and scheme as actually operated in the State of Oregon is fraudulent in purpose and fact. That the purpose and intent of the plaintiff as

aforesaid is to collect large sums of money from its customers, and to pretend to charge large sums for operating expenses and for the salaries of the said George E. Stillings and his confederates, so that the said customers will not be entitled to have or receive the money that they pay on their pretended contracts.

And in support of this allegation, and based upon the information hereinafter referred to, these defendants allege that the said George E. Stillings, in 1903, organized, in the State of Missouri, a corporation called the Preferred Tontine Mercantile Company, and purported to do a business upon contracts similar in form to those set out in the bill of complaint, and containing therein the same or similar provisions concerning the incurring of expenses, and that the attorney general of Missouri brought an action against the said Preferred Tontine Mercantile Company to restrain the Company from doing business in that State, and that the Supreme Court of the State of Missouri, on July 1, 1904, in the decision reported in 82 Southwestern Reporter, page 1075, held that the business of the said Company was in violation of the laws of Missouri, and ordered the appointment of a Receiver.

That thereafter, the said George E. Stillings and his brother organized a corporation in Massachusetts, called the Preferred Mercantile Company of Boston, and that the Attorney General of the State of Massachusetts brought a suit against the said company in the nature of quo warranto, and alleging that the said Company was engaged in an unlawful business, and that the said cause resulted in a decision of the Supreme Judicial

Court, reported in 187 Massachusetts, page 516, declaring that the business carried on by the Company was illegal, and, on March 14, 1905, an order was duly entered forfeiting the Company's charter. That the Special Master trying the said cause found that the said George E. Stillings was guilty of falsifying the books of the company and of converting the funds thereof, and upon the said report the company was ousted from its franchise. The said defendant was also imprisoned for contempt of the said court in disobeying its orders. That the United States postal authorities in 1904, prohibited by the use of the mails to the Preferred Mercantile Company, and these defendants are informed and believe that said George E. Stillings was indicted and convicted for using the United States mail to defraud, under a contract and proceeding similar in plan and conduct to the contract and plan involved in this suit.

And based upon the foregoing facts, and many others connected with the history of the said George E. Stillings and his companies, as aforesaid, these defendants charge and aver that the business of the plaintiff which it seeks to continue under the protection of this court, is not an honest business, but a fraudulent one, and that it is not entitled to the protection of this Court in the prosecution of its said business.

WHEREFORE, the defendants pray that the bill of complaint be dismissed as against these defendants, and that they have judgment against the complainant for their costs and disbursements.

A. M. CRAWFORD,

Attorney General.



WALTER H. EVANS,

District Attorney for Multnomah County, Oregon.

ARTHUR A. MURPHY.

Deputy District Attorney for Multnomah County,  
County, Oregon.

Attorneys for said Defendants.

STATE OF OREGON,       )  
  ) ss.

County of Multnomah. )

I, A. M. Crawford, being first duly sworn, depose and say: That I am one of the defendants in the above entitled suit, and that the foregoing Answer is true as I verily believe.

A. M. CRAWFORD.

Subscribed and sworn to before me this 15th day  
of June, A. D. 1914.

(Seal)                      **ARTHUR A. MURPHY,**  
Notary Public for the State of Oregon.

STATE OF OREGON,               )  
County of Multnomah.         ) ss.

Due and legal service of the within Answer is hereby accepted in Multnomah County, Oregon, this 15th day of June, 1914, by receiving a copy thereof, duly certified to as such by Arthur A. Murphy, one of Attorneys for defendants named herein.

GEORGE ROSSMAN.

Of Attorney for Complainant.

Filed June 15, 1914. A. M. Cannon, Clerk.

And afterwards, to wit, on the 19th day of June, 1914, there was duly filed in said Court, and cause a SUPPLEMENTAL BILL OF COMPLAINT, in words and figures as follows, to wit:

## **SUPPLEMENTAL BILL.**

No.....

Now comes the plaintiff, and by way of Supplemental Complaint herein alleges:

### **I.**

That since the above entitled suit was commenced the plaintiff duly prepared, upon blanks furnished by the defendant R. A. Watson, the Corporation Commissioner of the State of Oregon, a written declaration of its desire and purpose to engage in business in the State of Oregon, setting forth the name under which it proposes to transact business, and all other information required by the laws of the State of Oregon, and duly executed and acknowledged a power of attorney, as required by the laws of the State of Oregon, and tendered the same to said Corporation Commissioner, together with a certified copy of its Articles of Incorporation or Association, duly certified to by H. G. Garrett, Registrar of Joint Stock Companies in and for the Province of British Columbia, Canada, the legal keeper of the original thereof, and containing a certificate of R. E. Mansfield, the Consul General of the United States of America, stationed at Vancouver, B. C., Canada, as required by the laws of the State of Oregon,

together with the sum of Fifty-nine Dollars, a sum sufficient to more than cover the fees required by law to be paid for filing said papers, and requested the defendant R. A. Watson, as such corporation commissioner to file said papers and issue to plaintiff a license as required by the laws of the State of Oregon; but that said defendant R. A. Watson, acting as such corporation commissioner, refused to file same, and stated to plaintiff's solicitors that he would not file said papers or allow said plaintiff to comply with the laws of the State of Oregon regulating the carrying on of business in this State by foreign corporations, and further informing the plaintiff's solicitors that before the plaintiff would be allowed to carry on business in this State it would have to comply with the Building and Loan Act of the State of Oregon. That copies of said papers so tendered for filing, as aforesaid, are hereto attached, marked Exhibits "A," "B" and "C."

WHEREFORE plaintiff prays for relief as prayed for in its original bill on file herein.

WILSON, NEAL & ROSSMAN,

Solicitors for Plaintiff.

**"EXHIBIT A."**

**DECLARATION OF PURPOSE TO ENGAGE  
IN BUSINESS IN OREGON.**

**KNOW ALL MEN BY THESE PRESENTS:**

That the NATIONAL MERCANTILE COMPANY, Limited, a corporation organized and existing

under and pursuant to the laws of the Province of British Columbia, Dominion of Canada, having its principal office in the Winch Building in the Vancouver, Province of British Columbia, Dominion of Canada, hereby makes the following declaration of its desire and purpose to engage in business within the State of Oregon, which declaration is accompanied by a duly authenticated copy of its Articles of Association or incorporation in compliance with the provisions of "An Act to provide for the licensing of Domestic Corporations and Foreign Corporations, Joint Stock Companies and Associations, etc.," approved February 16, 1903:

The full name under which it proposes to transact business is The National Mercantile Company, Limited.

The name of the State or County under whose laws it was organized is Province of British Columbia, Dominion of Canada.

The location of its home office is at Number Winch Building, Vancouver, Province of British Columbia, Dominion of Canada.

The date of its formation or incorporation was the 10th day of August, 1911. The amount of its capital stock is Ten thousand (\$10,000.00) (\$. . . . .) Dollars.

The nature of the pursuit, business, or occupation in which it is authorized to engage

(a) To carry on the business of a storekeeper in all its branches, and in particular to buy, sell, manufacture and deal in goods, stores, consumable articles, chattels and effects of all kinds, both wholesale and retail, and to transact every kind of agency business



and generally to engage in any business to transaction which may seem to the Company directly or indirectly, conducive to the interest or convenience of the Company's members or ticket holders or their friends or any section thereof.

(b) To make arrangements with persons engaged in any trade, business or profession for the concession to the Company's members, ticket-holders, and their friends of any special rights, privileges and advantages and in particular in regard to the supply of goods.

(c) To buy, sell, manufacture, repair, alter and exchange, let or hire, export and deal in all kinds of articles and things, which may be required for the purposes of any of the said businesses or commonly supplies or dealt in by persons engaged in any of the said businesses or which may seem capable of being profitably dealt with in connection with any of the said businesses.

(d) To carry on the business of a co-operative store and general supply society in all its branches and to transact all kinds of agency businesses.

(e) To acquire and undertake the whole or any part of the business, property and liabilities of any persons or company carrying on any business which the Company is authorized to carry on.

(f) To enter into any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession or otherwise, with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction which this Company is authorized to carry on or engage in, or

any business or transaction capable of being conducted so as directly or indirectly to benefit the Company; and to lend money, guarantee the contracts of or otherwise assist any such person or company and to take or otherwise acquire shares and securities of any such Company and to sell, hold, re-issue, with or without guarantee or otherwise deal with the same.

(g) To take or otherwise acquire and hold shares in any other company having objects altogether or in part similar to those of this Company or carrying on any business capable of being conducted so as, directly or indirectly to benefit this Company.

(h) To promote any Company or companies for the purpose of acquiring all or any of the property and liabilities of this Company or for any other purpose which may seem, directly or indirectly, calculated to benefit this Company.

(i) Generally to purchase, take on lease or in exchange, hire or otherwise acquire any real and personal property and any rights or privileges which the Company may think necessary or convenient for the purposes of its business.

(j) To construct, maintain, and alter any buildings or works necessary or convenient for the purposes of the company.

(k) To instruct and deal with the moneys of the company not immediately required in such manner as may from time to time be determined.

(l) To borrow, raise or secure the payment of money in such manner as the Company shall think fit

and in particular by the issue of debentures or debenture stock charged upon all or any of the Company's property, including its uncalled capital and to purchase, redeem and pay off any such securities.

(m) To remunerate any person or Company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares of the Company's capital or any debentures or other securities of the Company or in or about the formation or promotion of the Company or the conduct of its business.

(n) To draw, make, accept, endorse, discount, execute, and issue promissory notes, bills of exchange, bills of lading, warrants, debentures, and other negotiable or transferable instruments.

(o) To sell or dispose of the undertaking of the Company or any part thereof for such consideration as the Company may think fit and in particular for shares, debentures or securities of any other company having objects altogether or in part similar to those of this Company.

(p) To adopt such means of making known the products or purpose of the Company as may seem expedient and in particular by advertising in the press, by circulars, by purchase and exhibition of works of art or interest by publication of books and periodicals and by granting prizes and donations.

(q) To sell, improve, manage, develop, exchange, lease, mortgage, dispose of, turn to account, or other-

wise deal with all or any part of the property and rights of the Company.

(r) To do all or any of the above things as principals, agents, contractors, trustees or otherwise and by or through trustees, agents, or otherwise and either alone or in compliance with the others.

(s) To do all such other things as are incidental or conducive to the attainment of the above objects or any one of them.

(t) To make and enter into any form of contract with members of the company and others, providing for payments to be made to the Company and from time to time or for certain specified times by such members or persons, and in such amounts as may be agreed, and in consideration therefor to give to such member, members or persons certain rights to loan, or other rights and privileges, with such provisions as to repayment of loans, interest, security, rights of redemption, re-purchase and cancellation and such other terms and conditions, and provisions as may be agreed upon.

(u) To carry on a general loan, mortgage and investment business with the members of the Company and others in all its branches.

(v) To advance or lend the capital or other moneys of the Company for the time being on the security of free-hold, leasehold, bills of exchange, promissory notes, bonds, agreements, goods, chattels or other property, real and personal, and in particular under the terms of the loan and investment contracts of the Company.

(w) Out of the moneys derived from the sale of



investment contracts or other moneys, to create special reserve or loan funds for the purpose of making loans and settling with contract holders or for any other purpose of the Company.

(x) To sell or dispose of loan or investment contracts of various classes and descriptions, providing for sharing of profits or otherwise.

The location of the principal office within the State of Oregon is at Number 721 Chamber of Commerce Bldg., in the City of Portland, Oregon, County of Multnomah.

The name of its Attorney in Fact, constituted and appointed in accordance with the provisions of Section 6 of "An Act to provide for the licensing of Domestic Corporations and Foreign Corporations, Joint Stock Companies and Associations, etc.," approved February 16, 1903, is A. D. Baker, whose business address is at Number 721 Chamber of Commerce Bldg., in the City of Portland, in the County of Multnomah, Oregon.

The names and addresses of its principal officers, and of its directors or trustees, are as follows:

NAMES	OFFICIAL POSITION	POSTOFFICE ADDRESS
G. E. Stillings	President	Winch Bldg., Vancouver, B. C. Room 926
Wm. Gardner	Treasurer	Rodgers Bldg., " "
C. P. Nellist	Secy.	Winch Bldg., Vancouver, B. C.
G. E. Stillings	Director	
Wm. Gardner	Director	

The name and residence of its General Agent within the State of Oregon is 721 Chamber of Commerce Bldg., Portland, Oregon.

In the County of Multnomah.

IN WITNESS WHEREOF, Said Corporation, in pursuance of a resolution duly adopted by its Board of (Corporate Seal) Directors has caused this declaration to be signed by its President and Secretary, and its Corporate Seal to be affixed the 1 day of June, 1914.

The National Mercantile Co., Ltd.

G. E. Stillings. (Seal).  
..... (SEAL)

President.

C. P. Nellist (SEAL)  
Secretary.

Dominion of Canada )  
Province of British Columbia ) ss.  
County of Vancouver. )

I, G. E. Stillings, President, and I, C. P. Nellist, Secretary of The National Mercantile Company, Limited, being severally duly sworn depose and say, and each for himself say, that I am President and Secretary, respectively, of The National Mercantile Company, Limited, the corporation mentioned in and which executed the foregoing declaration, and that said declaration is a full, true and correct statement of the matters therein contained according to the best of my information, knowledge and belief.

GEORGE E. STILLINGS, Pres.  
C. P. NELLIST, Secy.

Subscribed and sworn to before me this 1st day of June, 1914.

W. E. BURNS,

(Notarial Seal).

Dominion of Canada )

Province of British Columbia ) ss.

County of Vancouver. )

I, C. P. Nellist, Secretary of The National Mercantile Company, Limited, being first duly sworn depose and say upon oath that George E. Stillings is the President of said corporation and that the signature affixed to the above and foregoing declaration is the genuine signature of said George E. Stillings; that the Corporate Seal hereinbefore attached and impressed herein is the Corporate Seal of said Corporation, and was affixed thereto by me, and that the foregoing declaration was executed for the National Mercantile Company, Limited by its President and its Secretary, pursuant to a resolution of the Board of Directors of said corporation duly adopted on the 1st day of June, 1914, so help me God.

C. P. NELLIST.

Subscribed and sworn to before me this 1st day of June, 1914.

W. E. BURNS.

(Notarial Seal).

“EXHIBIT A.”

EXHIBIT B.

KNOW ALL MEN BY THESE PRESENTS:

That The National Mercantile Company, Limited,

is a corporation duly organized under and by virtue of the laws of Prov. British Columbia, Canada, having its principal place of business in Vancouver, in the Prov. British Columbia.

That said The National Mercantile Company, Limited, has made, constituted and appointed, and does hereby make, constitute and appoint A. D. Baker, a citizen of the United States, and a citizen and resident of the State of Oregon, residing at Portland, Oregon, and whose place of business is No. 631 Chamber of Commerce Bldg., Street, its true and lawful Attorney in Fact and authorized Agent for it, and in its name, place and stead to make and accept all service of all writs, processes and summonses in any action, suit or proceeding in any of the courts of the State of Oregon, or United States courts therein, and upon whom all lawful writs, processes and summonses may be served with the same effect as though the company existed in the State of Oregon, requisite and necessary to give competent and complete jurisdiction of the said The National Mercantile Company, Limited, to any of the said courts;

**GIVING AND GRANTING** unto said A. D. Baker full power and authority to do and perform every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the said The National Mercantile Company, Limited, might or could do if personally present, hereby ratifying and confirming all that the said A. D. Baker shall lawfully do or cause to be done by authority thereof.

This Power of Attorney is irrevocable except by the



substitution of another qualified person for the one hereby appointed Attorney in Fact.

IN WITNESS WHEREOF, said corporation, in pursuance of a resolution duly adopted by its Board of (Corporate Seal) directors, has caused this instrument to be executed in its name by its President and Secretary, and its Corporate Seal to be hereto affixed the 12th day of May, 1914.

The National Mercantile Co., Ltd., (SEAL)

G. E. Stillings, President (SEAL)

The National Mercantile Co., Ltd

C. P. Nellist, Secretary (SEAL)

Dominion of Canada, )

Province of British Columbia, ) ss.

County of Vancouver. )

THIS CERTIFIES, that on this 12th day of May, 1914, before the undersigned, a Notary Public in and for British Columbia, Canada, personally appeared the within named G. E. Stillings, the President, and C. P. Nellist, the Secretary of the National Mercantile Co., Ltd., the corporation mentioned in and which executed the foregoing Power of Attorney, and acknowledged that they executed the same by the authority and on behalf of said The National Mercantile Co., Ltd., pursuant to a resolution of the Board of Directors of said corporation, duly adopted on the 12th day of May, 1914, and C. P. Nellist, the Secretary of said The National

Mercantile Co., Ltd., further acknowledged that the Corporate Seal hereinbefore attached and impressed herein is the Corporate Seal of said Corporation and was affixed thereto by him.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 12th day of May, 1914.

(L.S.)	Norman Roy Robertson,
(SEAL)	A Notary Public in and for the
	Province of British Columbia.

### EXHIBIT C.

I, Henry Esson Young, Provincial Secretary of the Province of British Columbia, Dominion of Canada, do hereby CERTIFY that Herbert Gascoigne Garrett is the duly appointed Registrar of Joint-Stock Companies, and that the signature and seal subscribed and affixed to the annexed instrument are the signature and seal of the said Herbert Gascoigne Garrett as such Registrar, and that as such Registrar he has in custody of his office the original documents of "THE NATIONAL MERCANTILE COMPANY, LIMITED."

GIVEN under my hand and Seal of  
Office at the City of Victoria in  
Provincial Secretary the Province of British Columbia,  
(Official Seal) this eleventh day of June, One  
British Columbia thousand nine hundred and four-  
teen.

HENRY ESSON YOUNG,  
Provincial Secretary.

I HEREBY CERTIFY that the annexed document is a true and correct copy of the Articles of Association of "THE NATIONAL MERCANTILE COMPANY, LIMITED" filed and registered on the 14th day of August, 1911, and the Memorandum of Association, as altered, filed and registered in this office on the 13th day of December, 1912.

Dated this 16th day of May, 1914.

H. G. Garrett,  
Registrar of Joint-Stock Companies.

(Official Seal)

CONSULATE GENERAL OF THE UNITED  
STATES OF AMERICA.

Vancouver, B. C., Canada.

June 12, 1914.

I, R. E. Mansfield, Consul General of the United States of America at Vancouver, B. C., Canada, duly commissioned and qualified, do hereby certify that Herbert Gascoigne Garrett is personally known to me; that he is a duly appointed and commissioned Registrar of Joint Stock Companies in and for the Province of British Columbia, to continue in office during the pleasure of the Government, and that to all his official acts full faith and credit are due and given.

In witness whereof I have hereunto set my hand and official seal the day and year above written.

R. E. Mansfield,

Consul General of the United States of America.

(Official Seal)

(Free stamp)

ARTICLES OF ASSOCIATION  
OF  
"THE NATIONAL MERCANTILE COMPANY  
LIMITED."

1. Subject as hereinafter provided, the regulations contained in table "A" in the first schedule of the Companies Act, 1910, hereinafter called table "A," shall apply to this Company.

2. The Company may commence business notwithstanding that any part of the share capital may remain unallotted or unsubscribed.

3. Clauses 4, 35, 37, 38, 39 and 40 of Table "A" shall not apply.

4. If the Company shall offer any of its shares to the public for subscription the directors shall not make any allotment thereof unless and until at least ten per cent (10%) of the shares so offered shall have been subscribed and the sums payable on application shall have been paid to and received by the Company but this provision is no longer to apply after the first allotment of shares offered to the public for subscription has been made.

5. With the consent in writing of all the members for the time being a general meeting may be convened on a shorter notice than seven (7) days and in any manner they may think fit and clause (49) forty-nine of table "A" shall be modified accordingly.

6. Every share shall confer one vote and clause sixty (60) of table "A" shall not apply.



7. The number of the directors shall not be less than three (3) nor more than five (5).

8. The corporate seal shall never be used except by the authority of the directors or committee of the directors previously given, and in the presence of two directors at least, who shall sign every instrument to which the seal is affixed, and every such instrument shall be countersigned by the secretary or some other person appointed by the directors. Provided, however, in the case of ordinary usual and daily small contract matters and then only when previously authorized or sanctioned by the Board of Directors so to do, the Secretary alone shall have the authority to affix such seal.

9. The persons hereinafter named shall be the first directors that is to say; George Edward Stillings, Roy Arthur Campbell, John Ralph Vernon, Chester Frank Campbell and Edith Gertrude Stillings, all of the City of Vancouver.

10. The qualifications of a director shall be the holding of one share in the Company.

11. The first managing Director of the Company shall be George Edward Stillings of the City of Vancouver, Promoter and the first Secretary of the Company shall be Roy Arthur Campbell of the City of Vancouver, bookkeeper.

12. A resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

We, the several persons whose names and addresses

are hereto subscribed agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, addresses and occupations	No. of shares taken by each subscriber.
George Edward Stillings, Promoter . . . . .	25.
Roy Arthur Campbell, Bookkeeper . . . . .	1.
John R. Vernon, Contractor . . . . .	1.
Chester Frank Campbell, Concealed Beds..	1.
Edith Gertrude Stillings . . . . .	1.
Total shares taken.	

Dated the 10th day of August, 1911.

Witness to the above signatures,

Name R. G. R. McKenzie,

Address, 619 Granville St., Vancouver, B. C.

Occupation, Barrister.

MEMORANDUM OF ASSOCIATION  
OF  
THE NATIONAL MERCANTILE COMPANY,  
LIMITED.

1. The name of the Company is "THE NATIONAL MERCANTILE COMPANY, LIMITED."

2. The Registered Office of the Company will be situate in the City of Vancouver, Province of British Columbia.

3. The objects for which the Company is established are:

(a) To carry on the business of a storekeeper in all its branches, and in particular to buy, sell, manufacture and deal in goods, stores, consumable articles, chattels and effects of all kinds, both wholesale and retail, and to transact every kind of agency business and generally to engage in any business transaction which may seem to the Company, directly or indirectly, conducive to the interest or convenience of the Company's members or ticket-holders or their friends or any section thereof.

(b) To make arrangements with persons engaged in any trade, business or profession for the concession to the Company's members, ticket-holders, and their friends of any special rights, privileges and advantages and in particular in regard to the supply of goods.

(c) To buy, sell, manufacture, repair, alter and exchange, let or hire, export and deal in all kinds of articles and things, which may be required for the purposes of any of the said businesses or commonly supplied or dealt in by persons engaged in any of the said businesses or which may seem capable of being profitably dealt with in connection with any of the said businesses.

(d) To carry on the business of a co-operative store and general supply society in all its branches and to transact all kinds of agency businesses.

(e) To acquire and undertake the whole or any part of the business, property and liabilities of any persons or company carrying on any business which the Company is authorized to carry on.

(f) To enter into any arrangement for sharing

profits, union of interest, co-operation, joint adventure, reciprocal concession or otherwise, with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction which this Company is authorized to carry on or engage in, or any business or transaction capable of being conducted so as directly or indirectly to benefit the Company; and to lend money, guarantee the contracts of or otherwise assist any such person or company and to take or otherwise acquire shares and securities of any such Company and to sell, hold, re-issue, with or without guarantee or otherwise deal with the same.

(g) To take or otherwise acquire and hold shares in any other company having objects altogether or in part similar to those of this Company or carrying on any business capable of being conducted so as, directly or indirectly to benefit this Company.

(h) To promote any Company or companies for the purpose of acquiring all or any of the property and liabilities of this Company or for any other purpose which may seem, directly or indirectly, calculated to benefit this Company.

(i) Generally to purchase, take on lease or in exchange, hire or otherwise acquire any real and personal property and any rights or privileges which the Company may think necessary or convenient for the purpose of its business.

(j) To construct, maintain and alter any buildings or works necessary or convenient for the purposes of the Company.



(k) To invest and deal with the moneys of the Company not immediately required in such manner as may from time to time be determined.

(l) To borrow, raise or secure the payment of money in such manner as the Company shall think fit and in particular by the issue of debentures or debentures stock charged upon all or any of the Company's property, including its uncalled capital and to purchase, redeem and pay off any such securities.

(m) To remunerate any person or Company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares of the Company's capital or any debentures or other securities of the Company or in or about the formation or promotion of the Company or the conduct of its business.

(n) To draw, make, accept, endorse, discount, execute, and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.

(o) To sell or dispose of the undertaking of the Company or any part thereof for such consideration as the Company may think fit and in particular for shares, debentures or securities of any other Company having objects altogether or in part similar to those of this Company.

(p) To adopt such means of making known the products of purpose of the Company as may seem expedient and in particular by advertising in the press, by circulars, by purchase and exhibition of works of art or

interest by publication of books and periodicals and by granting prizes and donations.

(q) To sell, improve, manage, develop, exchange, lease, mortgage, dispose of, turn to account, or otherwise deal with all or any part of the property and rights of the Company.

(r) To do all or any of the above things as principals, agents, contractors, trustees or otherwise and by or through trustees, agents, or otherwise and either alone or in conjunction with the others.

(s) To do all such other things as are incidental or conducive to the attainment of the above objects or any of them.

(t) To make and enter into any form of contract with members of the Company and others, providing for payments to be made to the Company and from time to time or for certain specified times by such member, members or persons, and in such amounts as may be agreed and in consideration therefore to give to such member, members or persons certain rights to loan, or other rights and privileges, with such provisions as to repayment of loans, interest, security, rights of redemption, re-purchase and cancellation and such other terms, conditions, and provisions as may be agreed upon.

(u) To carry on a general loan, mortgage and investment business with the members of the Company and others in all its branches.

(v) To advance or lend the capital or other moneys of the Company for the time being on the security of free-hold, leaseholds, bills of exchange, promissory notes,

bonds, agreements, goods, chattels or other property, real and personal, and in particular under the terms of the loan and investment contracts of the Company.

(w) Out of the moneys derived from the sale of investment contracts or other moneys, to create special reserve or loan funds for the purpose of making loans and settling with contract-holders or for any other purpose of the Company.

(x) To sell or dispose of loan or investment contracts of various classes and descriptions, providing for sharing of profits or otherwise.

4. The Liability of the Members is Limited.

5. The Share Capital of the Company is Ten Thousand Dollars (\$10,000.00) divided into One Hundred Shares (100) of One Hundred Dollars (\$100.00) each.

We, the number of persons whose name and addresses are subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, addresses and occupations of subscribers.	No. of shares taken by each subscriber.
George Edward Stillings, Promoter.....	25.
Roy Arthur Campbell, Bookkeeper .....	1.
John R. Vernon, Contract.....	1.
Chester Frank Campbell, Concealed Beds..	1.
Edith Gertrude Stillings .....	1.
Total shares taken.	

Dated this 10th day of August, 1911.

Witness to the above signatures:

Name: R. G. R. McKenzie.

Address: 619 Granville St., Vancouver, B. C.

Occupation: Barrister.

DISTRICT OF OREGON, )  
 ) ss.

County of Multnomah. )

I, George E. Stillings, being first duly sworn, depose and say that I am the President of the National Mercantile Co., Ltd., plaintiff in the above entitled suit and that the foregoing supplementary complaint is true as I verily believe.

George E. Stillings,

Subscribed and sworn to before me this 15th day of  
June, 1914.

(Seal)

George Rossman,

Notary Public for the State of Oregon.

DISTRICT OF OREGON, )  
 ) ss.

County of Multnomah. )

Due service of the within Supplemental Complaint is hereby accepted in Multnomah County, Oregon, this 19th day of June, 1914, by receiving a copy thereof,



duly certified to as such by George Rossman one of attorneys for plaintiff.

John M. Pipes,  
Attorney for Defendants.

Walter H. Evans,  
District Attorney Multnomah County.

By Arthur A. Murphy, Deputy.

Filed June 19, 1914. A. M. Cannon, Clerk.

And afterwards, to-wit, on the 22nd day of June, 1914, there was duly filed in said Court, and cause an **ANSWER OF R. A. WATSON**, in words and figures as follows, to-wit:

### **ANSWER OF R. A. WATSON.**

Comes now the defendant R. A. Watson, and as a plea in abatement to the bill herein, alleges the following facts, to-wit:

#### **I.**

That the plaintiff has never been and is not now a corporation organized or existing under the laws of the State of Oregon; that since October, 1912, it has been engaged and is now engaged in business in making loans and taking mortgages within the State of Oregon, all as alleged and described in the bill of complaint, but that it has not at any time prior to or since the commencement of this suit complied with the laws of the State of Oregon, and particularly Section 6707, Lord's Oregon Laws, Vol. III, page 2407, in this: That it has not at any time furnished or offered to the Secretary of State,

upon blanks to be supplied by the said Secreary, or otherwise, a correct or any statement, sworn to by one of the officers of plaintiff, or the managing agent, or authorized attorney in fact, or otherwise, before an officer duly authorized to administer oaths, or otherwise, or setting forth the name of the plaintiff, or the location of its principal office, or the names of its president or secretary or treasurer, or with the postoffice address of each or either, or the date of the annual election of directors or officers of such corporation, or the amount of the authorized capital stock, or the number of shares or par value of each share, or the amount of capital stock subscribed, or the amount of capital stock issued, or the amount of capital stock paid up, or any statement giving the names or postoffice addresses of its managing agents or attorneys in fact in the State of Oregon; and it has not complied with the other provisions of the said Section in any respect, but which provisions are not herein specifically referred to for the reason that the other provisions of the Section have been declared to be unconstitutional by the Supreme Court of the State of Oregon in the case of *HIRSCHFELD v. McCULLOUGH*, 130 Pac. 1131.

The plaintiff has not complied with the laws of the State of Oregon, and particularly Section 6726, Lord's Oregon Laws, Vol. III, page 2413, in this: That the plaintiff has not duly or otherwise executed or acknowledged a power of attorney, or caused any power of attorney to be recorded in the office of the Secretary of State, appointing a person, a citizen of the United States, or a citizen or resident of this state, or otherwise, as attorney

in fact for the plaintiff, and has not, at any time, appointed or maintained any person, qualified or otherwise, as its attorney in fact.

And the plaintiff has not complied with Section 6727 of Lord's Oregon Laws, Vol. III, page 2414, in this: That it has not filed with the Secretary of State, or the defendant as Corporation Commissioner, a written or other declaration of its desire or purpose to engage in business within this State, or setting forth any name under which it proposes to transact business, or the name of the State or country under whose laws it was organized, or the location of its home office, or the date of its formation or incorporation, or the amount of its capital stock, or the nature of the pursuit, business or occupation in which it is authorized to engage, or the location of its principal office within this State, or the name of any attorney in fact, or the names or addresses of its principal officers, or of its direction or trustees, or the name or residence of its general agent within the State of Oregon, or any accompanying certified or other copy of its charter or articles of incorporation, either certified by the legal keeper of the original, or otherwise, or by the United States Ambassador, Minister, Consul-General, Vice-Consul, or Charge D'Affaires of the foreign country under whose jurisdiction the plaintiff was or claims to have been formed, or any certificate of such officer that he has the requisite official knowledge as to whether such charter or articles of incorporation are of a genuine, valid or subsisting character, or that such copy was duly certified by the officer having the legal custody of the original. And this plaintiff has not com-

plied with the said last named Section, in this: That it has not, at any time, offered or paid to the secretary of State, or to the defendant as Corporation Commissioner, the sum of \$50.00, or any part thereof, required by the said Section, for filing and recording the said papers. And the plaintiff has not complied with the act of the Legislature of 1913, General Laws of Oregon, 1913, page 772, in that it has not paid or offered the annual license fee of \$100.00 therein provided to be paid. By reason of the premises the plaintiff has not been authorized to transact any of the business which it has transacted, and is not authorized to transact any further business in the State of Oregon, and is not authorized to maintain this suit, for that Section 6708, Lord's Oregon Laws, Vol. III, page 2408, provides in effect that a failure of a foreign corporation to pay any fee which shall have become due and payable against it as provided in the said act, or any law of the State, prohibits it from maintaining any suit, action or proceeding in any court of justice within the State while such delinquency should continue; and for that the said Section 6726 provides in effect that a failure to appoint an attorney in fact, as provided in said Section, as aforesaid, prohibits the plaintiff from transacting any business within this State, or maintaining any action, suit, or proceeding in its courts. And the defendant further alleges that neither the Secretary of State, nor this defendant as Corporation Commissioner, has issued to the plaintiff any certificate to the effect that the plaintiff has filed a declaration required by the said Sections as aforesaid.



## II.

And further answering the bill in this case, upon the merits, the defendant says that he has no information sufficient to form a belief as to whether the plaintiff is a corporation organized or existing under the laws of the Province of British Columbia, Dominion of Canada, or has its general offices or principal place of business in the City of Vancouver, Province of British Columbia, Dominion of Canada, and leaves the said allegation to be proved.

## III.

The defendant denies that this is a suit between citizens of different states.

## IV.

The defendant admits that the plaintiff is engaged in the business of loaning money upon mortgage security upon real property, and that the contracts it makes are in form as marked "Exhibit 1" of the bill of complaint; and that the application therefore is as "Exhibit 2" of the bill of complaint, and the application from A. D. Baker to the complainant is as "Exhibit 3" of the bill of complaint; and that the plaintiff issues such contracts to prospective borrowers, and that the borrowers are placed in groups of one hundred in the consecutive order of the signing of the contracts, and upon the accumulation of sufficient funds in the loan fund of the plaintiff, the borrowers become entitled under such proposed contracts to loans in their consecutive order.

The defendant admits that the plaintiff maintains offices in many cities of the different states of the United

States of America, and also in many cities of the various provinces of the Dominion of Canada, and appoints agents who have charge of certain allotted amounts of territory.

The defendant admits that the borrower is required to sign an application as stated in the bill, a copy of which is "Exhibit 2," which is presented to the plaintiff's representative, and at the same time the said representative places an application with the plaintiff for the loan.

The defendant admits that the general agent of the plaintiff in Oregon is A. D. Baker, and that his office address is Room 723 Chamber of Commerce Building, Portland, Oregon, in which city and state he regularly resides. He admits that when the application is approved by the plaintiff, plaintiff issues to the said A. D. Baker an undertaking, under seal, whereby the plaintiff, in consideration of the payment of 1/100 of the amount of the desired loan each month, undertakes and agrees to pay to the said A. D. Baker the amount of the loan desired as soon as the loan fund of the plaintiff contains a sufficient amount of money to make up the said loan; that the said undertaking, by express terms, is assignable, and the said A. D. Baker, upon the receipt of the said undertaking, at once assigns the same over in writing to the prospective borrower, who thereupon makes his payments to the said Baker, or to the plaintiff, at the option of the borrower. But in this connection the defendant alleges that the last named provisions of the said contract and of the said plan of plaintiff constitute a device by which it is sought to make it appear that the loans are made by the Company in its home office with

A. D. Baker in Oregon, so as to claim that it is not doing the said business within the State of Oregon; but that in truth and in fact the said A. D. Baker is the agent of the plaintiff, residing and doing business within the State of Oregon, as alleged in the complaint, and as admitted in this answer.

The defendant admits that the loan fund of the plaintiff is composed of the monthly installments, together with repayments of the various loans made by it, and that the loans made by the plaintiff to its various borrowers are secured by mortgages upon real property in Oregon, or wherever its borrowers live, and that they draw three per cent annual interest. The defendant admits that the said loans are repaid to the plaintiff by the borrowers in monthly installments of seventy cents per month of each one hundred dollars borrowed, with interest at three per cent; that the plaintiff likewise sells the people in Oregon, and elsewhere, matured contracts, ready for loans, which loans when made pay to plaintiff five per cent. annual interest; and that the application for loans, as soon as received by plaintiff, are at once given a consecutive number in the order of their receipt, and are placed in classes of one hundred. But whether the payments made upon the groups of contracts of one hundred are kept in individual funds, or whether the contract holder in each group of one hundred having the oldest date is the first to secure a loan, or whether thereafter the loans are made in the chronological order of the issue of the contracts, the plaintiff has no knowledge or information sufficient to form a belief, and leaves the said allegations to be proved to the satisfaction of the Court.

V.

The defendant admits that the home office is, and some of the business affairs of the plaintiff are conducted in the City of Vancouver, Province of British Columbia, Dominion of Canada; but denies that the said affairs are administered in accordance with the laws or regulations of the said alleged sovereignty, or that they are all or any of them conducted in lawful, honest or meritorious manner.

VI.

The defendant admits that the plaintiff, by its agents and representatives, is offering in the State of Oregon to take applications for loans, and to enter into contracts with borrowers for loans; and that plaintiff, by advertisement and otherwise, professes the business of taking applications for loans and making such loans, and entering into contracts for such loans, and that it is engaged in such business in the State of Oregon, as alleged in Paragraph VI of the bill of complaint. That the taking of such applications and the making of such contracts are in the course of continuous and successive transactions of a similar nature, and that the plaintiff is not, in taking applications and making such loans, acting in a trust capacity created by law.

VII.

The defendant admits that the plaintiff has been engaged in the said loan business since the month of October, 1912, and since that time it has vigorously conducted its said business. The defendant denies that plaintiff has invested large or any sums of money in said business,



but alleges in that regard that the money that it has consists solely of the payments of the monthly installments of the borrowers, as provided in the said contract, "Exhibit 1" of the bill of the plaintiff.

As to whether the plaintiff has acquired mortgages or other securities of great value, or has outstanding a large or any number of contracts of great or any value, of the kind described in the preceding paragraphs, the defendant has no knowledge or information sufficient to form a belief, and leaves the said allegations to be proved to the satisfaction of the Court.

The defendant admits that the plaintiff has contracted from time to time to make such loans of the kind described in "Exhibit 1."

### VIII.

The defendant has no knowledge or information sufficient to form a belief as to whether the plaintiff has expended or invested large or any sums of money in advertising, or in the establishment of its said business, or has acquired, in the course of such business, a valuable good-will or an extensive clientele, or has acquired valuable information as to the conduct of its business, or information as to the names and addresses of persons, firms and corporations who desire loans of the character described in the bill, or whether it has acquired such valuable good-will, information or other property, as above described, in the State of Oregon, and therefore submits the said allegations to be proved to the satisfaction of the Court.

The defendant admits that the plaintiff sends into the State of Oregon its agents and employees, to there

solicit applications for loans, and transmit the said applications to the plaintiff in Vancouver, British Columbia, and make the said loans in the State of Oregon; and admits that the said application are accepted by plaintiff in Vancouver, British Columbia, and that said contracts are then forwarded to the contract holders in Oregon, but whether from the offices of the plaintiff in Vancouver, British Columbia, the defendant has no knowledge or information sufficient to form a belief, and leaves the said allegation to be proved.

### IX.

The defendant denies that the representations made by the plaintiff, or by its agents and representatives, as to the contracts and applications therefor, and loans, are true representations.

### X.

The defendant says that it has no information sufficient to form a belief as to whether or not the plaintiff has been, or now is, solicited by various persons, firms or corporations, to secure applications for loans, and loans, as described in the bill, or that it has contracted to make such loans, or that the owners of such contracts therefor have undertaken or agreed to pay the plaintiff a compensation for such loans, and therefore leaves the said allegations to be proved to the satisfaction of the Court.

### XI.

Defendant admits that the plaintiff and those with whom it has agreements have been informed that the said loans described in the bill cannot be made in Ore-

gon, unless full compliance is made by the plaintiff with Chapter 341, General Laws of Oregon for 1913, which became effectual on the 3rd day of June, 1913.

## XII.

The defendant admits the allegations of the provisions of the act of the Legislature of 1913, as set forth in the bill of complaint, entitled "An Act to protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a corporation department to administer this and other laws relative to the regulation and supervision of corporation, and providing penalties for the violation hereof," and that "Exhibit A" attached to the bill is a correct copy of the said law.

## XIII.

Admits that the defendant, as Corporation Commissioner, has declared publicly his intention to enforce the provisions of said act, and his intention to prevent any sale or offer for sale in Oregon of securities covered and regulated by said act, and as to which the issuer thereof or the seller thereof has not in all respects complied with said act, and has declared his intention to enforce the penalties in said act set forth for any violation thereof; and admits that he caused the arrest, upon warrant for the arrest of the said A. D. Baker, General Representative, and the said George E. Stillings, President of the plaintiff, and of C. H. Hune and O. Sundberg, Local Representatives of the plaintiff in Lane County, Oregon, and that the said arrests were made upon the complaint of the said Corporation Commissioner, and prosecuted by the District Attorneys in the

respective counties in which the arrests were made, and that all said arrests were made for soliciting applications for loans from the plaintiff in the manner set forth in said bill, and for the violation of the terms of the said act.

#### XIV.

Admits that the defendant issued the bulletin which is "Exhibit B" of the bill, and has prepared for use a preliminary report, Sheet 1, and a preliminary report, Sheet 2, which are "Exhibits C and D" of the bill, and the blanks, all as alleged in the bill of complaint, and has prepared for use application blanks and report blanks, which are "Exhibits E and F" of the bill; and admits that the said preliminary reports, "Exhibit C" and "Exhibit D," require the information set forth in paragraph XXXVI of the bill, and the subdivisions thereof; but denies that any right or property right of the plaintiff is invaded or destroyed, or its freedom to contract curtailed, impaired or destroyed, or that it is otherwise damaged in its business or property by reason of the said act of the Legislature, or the said act of the defendant.

#### XV.

Admits that the defendant has issued the "Application of Stock Broker," a copy of which is "Exhibit E" of the bill.

#### XVI.

In respect of the allegation of the bill that the said act of the Legislature is unconstitutional and void, the defendant denies the conclusions stated in the said allegations, but is advised that, being allegations concerning



questions of law only and not of fact, he is not required to answer specifically each of the said contentions; but alleges on the contrary that the said act is in none of its provisions contrary to the Constitution of the United States, or of the State of Oregon.

### XVII.

Defendant denies that any immediate or irreparable or other injury will be caused to the plaintiff by reason of the enforcement of said act.

### XVIII.

And further answering the said bill, the defendant alleges that George E. Stillings is the president of the plaintiff, and the principal owner and controller of its business; that it was organized by him, and that the plaintiff is the instrument of the said George S. Stillings through and by which to operate his plan and scheme. That the plan and scheme set forth in the bill is not an honest plan or scheme, but is devised and operated for the purpose of defrauding the general public of the State of Oregon. That the said plaintiff, operated and controlled by the said George E. Stillings as aforesaid, intends, in its operation, to defraud its customers, and that the plan and scheme as actually operated in the State of Oregon is fraudulent in purpose and fact. That the purpose and intent of the plaintiff as aforesaid is to collect large sums of money from its customers, and to pretend to charge large sums for operating expenses and for the salaries of the said George E. Stillings and his confederates, so that the said customers will not be entitled to have or receive the money that they pay on their said pretended contracts.

And in support of this allegation, and based upon the information hereinafter referred to, this defendant alleges that the said George E. Stillings, in 1903, organized, in the State of Missouri, a corporation called the Preferred Tontine Mercantile Company, and purported to do a business upon contracts similar in form to those set out in the bill of complaint, and containing therein the same or similar provisions concerning the incurring of expenses, and that the Attorney General of Missouri brought an action against the said Preferred Tontine Mercantile Company to restrain the Company from doing business in that State, and that the Supreme Court of the State of Missouri, on July, 1, 1904, in a decision reported in 82 Southwestern Reporter, page 1075, held that the business of the said Company was in violation of the laws of Missouri, and ordered the appointment of a Receiver.

That thereafter, the said George E. Stillings and his brother organized a corporation in Massachusetts, called the Preferred Mercantile Company of Boston, and that the Attorney General of the State of Massachusetts brought a suit against the said Company, in the nature of quo warranto, and alleging that the said Company was engaged in an unlawful business, and that the said cause resulted in a decision of the Supreme Judicial Court, reported in 187 Massachusetts, page 516, declaring that the business carried on by the Company was illegal, and, on March 14, 1905, an order was duly entered forfeiting the Company's charter. That the Special Master trying the said cause found that the said George E. Stillings was guilty of falsifying the books

of the Company and of converting the funds thereof, and upon the said report the Company was ousted from its franchises. The said defendant was also imprisoned for contempt of the said court in disobeying its orders. That the United States postal authorities, in 1904, prohibited the use of the mails to the Preferred Mercantile Company, and defendant is informed and believes that said George E. Stillings was indicted and convicted for using the United States mails to defraud, under a contract and proceeding similar in plan and conduct to the contract and plan involved in this suit.

And based upon the foregoing facts, and many others connected with the history of the said George E. Stillings and his companies, as aforesaid, this defendant charges and avers that the business of the plaintiff, which it seeks to continue under the protection of this Court, is not an honest business, but a fraudulent one, and that it is not entitled to the protection of this Court in the prosecution of its said business.

WHEREFORE, the defendant prays that the bill of complaint be dismissed as against this defendant, and that he have judgment against the complainant for his costs and disbursements.

Martin L. Pipes,

John M. Pipes,

George A. Pipes,

Solicitors for said Defendant.

STATE OF OREGON, )

) ss.

County of .....)

I, R. A. Watson, first being duly sworn, depose and

say: That I am the defendant above named, and that the foregoing answer is true, as I verily believe.

R. A. Watson.

Subscribed and sworn to before me this 22nd day of  
May, 1914.

George A. Pipes,  
Notary Public for Oregon.

(SEAL)

STATE OF OREGON, )  
 ) ss.  
County of Multnomah. )

Due service of the within answer is hereby accepted in Multnomah County, Oregon, by receiving a copy thereof, duly certified to as such by Martin L. Pipes, attorney for defendant, R. A. Watson, this 23rd day of May, 1914.

O. A. Neal,  
Of Attorneys for Plaintiff.

Filed June 22, 1914. A. M. Cannon, Clerk.

And afterwards, to-wit, on the 22nd day of June, 1914, there was duly filed in said Court, and cause **AFFIDAVITS OF GEORGE E. STILLINGS AND WILLIAM T. STEIN**, in words and figures as follows, to-wit:



**AFFIDAVIT OF GEORGE E. STILLINGS.**

STATE OF OREGON,     )  
                                      ) ss.  
County of Multnomah.     )

I, George E. Stillings, being first duly sworn, upon my oath depose and say:

That I have read over and understand the contents of that certain printed pamphlet, marked "Exhibit A," and attached to the affidavit of defendant R. A. Watson, wherein one Burton Payne Gray, as Receiver, purports to give the legal history of the Preferred Mercantile Company; that the said Gray is a professional receiver; and that, insofar as the said history thus compiled by the said Gray attempts to cast a reflection upon my honesty and integrity, or the honesty and integrity with which I managed the affairs of the said Preferred Mercantile Company, the same is wholly untrue, and contrary to the facts; that the said report, in numerous instances, and in many of the items set forth therein is contrary to the facts.

That The National Mercantile Company, Limited, the above named complainant in the present suit, is licensed to do business in the State of Massachusetts, and has been licensed for more than a year, and is actively engaged in selling its contracts in the State of Massachusetts in the same manner in which it has attempted to do business in the State of Oregon. That it is well known in Massachusetts that I am president of said The National Mercantile Company, Limited, and the same commissioner of corporations is in office now as was in

office when I was president of said Preferred Mercantile Co. mentioned in said history, and at the time when he licensed said plaintiff he knew all of said facts above set forth.

That as president of The National Mercantile Company, Limited, up to the month of October, 1913, I received as my salary the sum of \$150.00 per month, as payment in full of all services performed as such official, and since the said month of October, 1913, I have received, and now receive, \$200.00 per month as payment in full of my said services as said president, and receive from said plaintiff no money of any other kind or nature whatsoever, save and except my actual traveling expenses when traveling on behalf of the said plaintiff, which traveling expenses must be accounted for in detail to the said plaintiff and approved by the board of directors. That no one else receives any larger salary than mine, or anything on my behalf.

That the said plaintiff up to the present time has paid no dividends upon its stock of any kind or nature whatsoever.

That out of the expense fund of the company the sum of \$11,000.00, under and pursuant to Section 23 of the said contract, has been transferred from the expense fund to the loan fund of the said plaintiff, and has been paid, in due course of business to its contract holders.

(Sgd.) George E. Stillings,

Subscribed and sworn to before me this 15th day of June, 1914.

George Rossman,  
Notary Public for Oregon.

(Seal)

**AFFIDAVIT OF GEORGE E. STILLINGS.**

STATE OF OREGON, )

) ss.

County of Multnomah. )

I, George E. Stillings, being first duly sworn, upon my oath depose and say:

That I am the president of the National Mercantile Co., Ltd., above named, and am personally familiar with all of the matters and things herein set forth.

That up to the date hereof the total expenses of the said National Mercantile Co., Ltd., have not exceeded seven and one-half of one per cent ( $7\frac{1}{2}\%$ ) of the amount paid in to the said company by its contract holders prior to the time when such contract holders secure their loans, including the first four payments, and that twenty per cent and the first four payments as allowed by the contract has never been necessary nor consumed.

That the said first four payments have been amply sufficient to provide for and discharge the current expenses of the said company, which cover all ordinary expenses, such as agents' commissions, printing, office, advertising, salaries, and agency expenses, etc.; and that the total expenses of the said company, including all of the above, and such extraordinary expenses as litigation, have not exceeded seven and one-half per cent, as stated above. That \$11,000.00 has been taken out of the expense fund and been placed in the loan fund.

That the said period of time just mentioned has been the period during which the said company has started its business, and owing to that fact its expenses upon





expenses include all expenses, except such extraordinary expenses as litigation.

That the statement attached hereto, and marked "Exhibit A" is a true statement of the affairs of the said National Mercantile Co., Ltd., taken by me from the books of the said company, and filed in compliance with the law, with the Minister of Finance of British Columbia.

Wm. T. Stein.

Subscribed and sworn to before me this 22nd day of June, 1914.

George Rossman,  
Notary Public for Oregon.

(SEAL)

## NATIONAL MERCANTILE CO., LTD.

BALANCE SHEET as at 31st December, 1913.

### CAPITAL and LIABILITIES.

#### 1. Liabilities to the Public

Sundry Creditors .....	\$ 79.36
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#### 2. Liabilities to the Shareholders

##### Capital

Authorized—100 shares of

\$100 each .....	\$10,000.00
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Issued—80 shares of \$100

each fully paid .....	8,000.00
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Reserve .....	854.14
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Excess of Assets over Lia-

bilities .....	757.17
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Advances from Shareholders.	3,580.81	13,192.12
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### 3. Trust Accounts

Loan & Reserve Fund, Con-		
tracts Matured .....	\$22,500.00	
Loan & Reserve Contracts		
Not Matured .....	10,112.48	
Investment Contracts .....	2,300.64	
Mortgage Loan Repayments	511.00	35,424.12

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### Contingent Liabilities

Balance unpaid on shares pur-		
chased .....	500.00	

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\$48,695.60

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## ASSETS.

### 1. Capital Account

Deposit Account .....	\$ 2,418.87	
Furniture at Head Office &		
Agencies .....	1,537.00	
Organization Expense ....	8,000.00	
Advertising Matter &		
Agency Supplies on hand	800.00	
Bills Receivable .....	312.00	\$13,067.87

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### 2. Trust Account

Cash on Hand and in Bank.	\$ 9,169.73
Shares in other Companies..	375.00
Loans on Collateral Security	3,058.00
Loans on Real Estate ....	22,500.00

Contracts for Loans Matured	525.00	35,627.73
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\$48,695.60

STATE OF OREGON, )

) ss.

County of Multnomah. )

Due service of the within affidavits and the receipt of a copy thereof duly prepared and certified to by George Rossman one of the attorneys for plaintiff is hereby admitted at the City of Portland in said County and State, this 22nd day of June, 1914.

Martin L. Pipes,

Attorney for Defendant Watson.

Filed June 22, 1914. A. M. Cannon, Clerk.

And afterwards, to-wit, on the 22nd day of June, 1914, there was duly filed in said Court, and cause an **AFFIDAVIT OF WILLIAM T. STEIN**, in words and figures as follows, to-wit:

### **AFFIDAVIT OF WILLIAM T. STEIN.**

In the Province of British Columbia )

) ss.

County of Vancouver. )

I, Wm. T. Stein, of the City of Vancouver, in the Province of British Columbia, make oath and say:

That I am a chartered accountant and a member of the firm of W. T. Stein & Company, carrying on business in the City of Vancouver, B. C.

That I have prepared a statement of 100 contracts of \$1,000.00 each, in a series where the net monthly installments are maintained at \$800.00, by adding additional contracts to fill vacancies caused by contracts maturing. The statement is hereto attached marked Exhibit "A," hereby referred to and made a part of this affidavit, and is based upon the plaintiff Company's contract, which provides that the initial and three subsequent payments are used as an Expense Fund. And have further allowed an expense fund of 20 per cent on all subsequent collections. And that the result is that the last contract of the first \$100,000.00 will mature in the 89th month from the first payment. Contracts which mature each month are shown on detailed statement marked Exhibit "A." And I further state that said table shown in Exhibit "A" does not allow or take into consideration any lapses, paid-up certificates, savings on expense fund or use of surplus funds, but, it is, in fact, the minimum result which could be attained by such contracts as the plaintiff company use. It is further demonstrated by the statement submitted (Exhibit "A") that during the first 10 months (6 to 15 inclusive) contracts mature for \$9,000.00, while during the final ten months (80 to 89 inclusive) contracts mature for \$16,000.00, showing that the period of time required to mature a contract is rapidly becoming shorter.

I have further calculated that in a series maintained at \$100,000.00, as aforesaid, if contracts are matured at the rate of four a month, \$100,000.00 will mature each 25 months and there will have been received 25 monthly payments on each contract before maturity. That is



\$250.00, and on four contracts \$1,000.00. To mature four contracts it will be necessary to repay these installments of \$1,000.00 and to loan four Mortgages of \$750.00 each at 3 per cent. per annum, being \$3,000.00 and making a total of \$4,000.00. These mortgages are repayable at the rate of \$7.00 per month, and will extend over a period of 107 months. The total amount of interest to be received by the Company on each mortgage for \$750.00 will be \$111.40, as shown on statement attached hereto marked Exhibit "B," and made part of this affidavit.

A further statement, marked Exhibit "C" is attached hereto, showing the amounts which will be received each month where mortgages are loaned at the rate of four per month, extending over the period for the repayment of the same, that is 107 months. This table shows that for one contract matured monthly during a term of 107 months, loaned on mortgage, there will be derived a monthly collection of \$861.40, and on four contracts this would amount to \$3,445.60.

The monthly repayments (including principal

and interest on mortgages are shown in

Exhibit "C" as .....\$3,445.60

Monthly installments of \$10.00 each, on 100

contracts to maintain series ..... 1,000.00

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\$4,445.60

On which the Expense Fund would be:

Initial and three subsequent pay-

ments .....\$160.00

20% on \$840.00 ..... 168.00      328.00

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Collections for month .....\$4,117.60

From which the Company requires to mature

four contracts of \$1,000.00 each.....\$4,000.00

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The expense fund of \$328.00 on collections of \$4,-  
445.60 is less than  $7\frac{1}{2}$  per cent.

Wm. T. Stein.

Subscribed and sworn to before me this 4th day of  
June, 1914, at the City of Vancouver, in the Province of  
British Columbia.

Alex. D. Wilson,

A Notary Public for taking Affidavits  
in the Province of British Columbia.

(Notarial Seal)

### EXHIBIT A.

#### NATIONAL MERCANTILE CO., Ltd.

Loan Fund for Series of 100 Contracts (Maintained  
at 100)

Month	Loan	Total	Month	Loan	Total
6	\$1,000.00	\$1,000.00	49	\$2,000.00	\$44,000.00
7	1,000.00	2,000.00	50	1,000.00	45,000.00
8	1,000.00	3,000.00	51	1,000.00	46,000.00
9	1,000.00	4,000.00	52	1,000.00	47,000.00
11	1,000.00	5,000.00	53	1,000.00	48,000.00
12	1,000.00	6,000.00	54	2,000.00	50,000.00
13	1,000.00	7,000.00	55	1,000.00	51,000.00
14	1,000.00	8,000.00	56	1,000.00	52,000.00
15	1,000.00	9,000.00	57	1,000.00	53,000.00
16	1,000.00	10,000.00	58	2,000.00	55,000.00
18	1,000.00	11,000.00	59	1,000.00	56,000.00

326      *National Mercantile Company vs.*

Month	Loan	Total	Month	Loan	Total
19	1,000.00	12,000.00	60	1,000.00	57,000.00
20	1,000.00	13,000.00	61	2,000.00	59,000.00
21	1,000.00	14,000.00	62	1,000.00	60,000.00
22	1,000.00	15,000.00	63	1,000.00	61,000.00
23	1,000.00	16,000.00	64	2,000.00	63,000.00
24	1,000.00	17,000.00	65	1,000.00	64,000.00
25	1,000.00	18,000.00	66	1,000.00	65,000.00
26	1,000.00	19,000.00	67	2,000.00	67,000.00
27	1,000.00	20,000.00	68	1,000.00	68,000.00
28	1,000.00	21,000.00	69	1,000.00	69,000.00
29	1,000.00	22,000.00	70	2,000.00	71,000.00
30	1,000.00	23,000.00	71	1,000.00	72,000.00
31	1,000.00	24,000.00	72	2,000.00	74,000.00
32	1,000.00	25,000.00	73	1,000.00	75,000.00
33	1,000.00	26,000.00	74	2,000.00	77,000.00
34	1,000.00	27,000.00	75	1,000.00	78,000.00
35	1,000.00	28,000.00	76	2,000.00	80,000.00
36	1,000.00	29,000.00	77	1,000.00	81,000.00
37	1,000.00	30,000.00	78	2,000.00	83,000.00
38	1,000.00	31,000.00	79	1,000.00	84,000.00
39	1,000.00	32,000.00	80	2,000.00	86,000.00
40	1,000.00	33,000.00	81	1,000.00	87,000.00
41	1,000.00	34,000.00	82	2,000.00	89,000.00
42	1,000.00	35,000.00	83	1,000.00	90,000.00
43	2,000.00	37,000.00	84	2,000.00	92,000.00
44	1,000.00	38,000.00	85	2,000.00	94,000.00
45	1,000.00	39,000.00	86	1,000.00	95,000.00
46	1,000.00	40,000.00	87	2,000.00	97,000.00
47	1,000.00	41,000.00	88	1,000.00	98,000.00
48	1,000.00	42,000.00	89	2,000.00	100,000.00

**EXHIBIT B.**

**NATIONAL MERCANTILE CO., LTD.**

Table of Principal and Interest on a Mortgage of  
\$750.00 at 3% per annum.

Months progressive	Months	Amount due	Yearly repayment	3% interest	Total Yearly payments	Average Monthly payments
12	12	\$750.00	\$84.00	\$22.80	\$106.80	\$8.90
12	24	666.00	84.00	19.80	103.80	8.65
12	36	582.00	84.00	17.40	101.40	8.45
12	48	498.00	84.00	15.00	99.00	8.25
12	60	414.00	84.00	12.60	96.60	8.05
12	72	330.00	84.00	9.60	93.60	7.80
12	84	246.00	84.00	7.20	91.20	7.60
12	96	162.00	84.00	4.80	88.80	7.40
10	106	70.00	70.00	2.00	72.00	7.20
1	107	8.00	8.00	.20	8.20	8.20
			<hr/>	<hr/>	<hr/>	
			\$750.00	\$111.40	\$861.40	

**EXHIBIT C.**

**NATIONAL MERCANTILE CO., LTD.**

Maturity of Mortgages for \$750.00, Standard Month.

Month loaned	Monthly payment	Principal	Interest	Installment	Four contracts matured, total
1	107	\$8.00	.20	8.20	32.80
2	106	7.00	.20	7.20	28.80
3	105	7.00	.20	7.20	28.80
4	104	7.00	.20	7.20	28.80
5	103	7.00	.20	7.20	28.80



Month loaned	Monthly payment	Principal	Interest	Installment	Four contracts matured, total
6	102	7.00	.20	7.20	28.80
7	101	7.00	.20	7.20	28.80
8	100	7.00	.20	7.20	28.80
9	99	7.00	.20	7.20	28.80
10	98	7.00	.20	7.20	28.80
11	97	7.00	.20	7.20	28.80
12	96	7.00	.40	7.40	29.60
13	95	7.00	.40	7.40	29.60
14	94	7.00	.40	7.40	29.60
15	93	7.00	.40	7.40	29.60
16	92	7.00	.40	7.40	29.60
17	91	7.00	.40	7.40	29.60
18	90	7.00	.40	7.40	29.60
19	89	7.00	.40	7.40	29.60
20	88	7.00	.40	7.40	29.60
21	87	7.00	.40	7.40	29.60
22	86	7.00	.40	7.40	29.60
23	85	7.00	.40	7.40	29.60
24	84	7.00	.60	7.60	30.40
25	83	7.00	.60	7.60	30.40
26	82	7.00	.60	7.60	30.40
27	81	7.00	.60	7.60	30.40
28	80	7.00	.60	7.60	30.40
29	79	7.00	.60	7.60	30.40
30	78	7.00	.60	7.60	30.40
31	77	7.00	.60	7.60	30.40
32	76	7.00	.60	7.60	30.40
33	75	7.00	.60	7.60	30.40
34	74	7.00	.60	7.60	30.40
35	73	7.00	.60	7.60	30.40

*R. A. Watson, Corporation Commissioner, et al.* 329

Month loaned	Monthly payment	Principal	Interest	Installment	Four contracts matured, total
36	72	7.00	.80	7.80	31.20
37	71	7.00	.80	7.80	31.20
38	70	7.00	.80	7.80	31.20
39	69	7.00	.80	7.80	31.20
40	68	7.00	.80	7.80	31.20
41	67	7.00	.80	7.80	31.20
42	66	7.00	.80	7.80	31.20
43	65	7.00	.80	7.80	31.20
44	64	7.00	.80	7.80	31.20
45	63	7.00	.80	7.80	31.20
46	62	7.00	.80	7.80	31.20
47	61	7.00	.80	7.80	31.20
48	60	7.00	1.05	8.05	32.20
49	59	7.00	1.05	8.05	32.20
50	58	7.00	1.05	8.05	32.20
51	57	7.00	1.05	8.05	32.20
52	56	7.00	1.05	8.05	32.20
53	55	7.00	1.05	8.05	32.20
54	54	7.00	1.05	8.05	32.20
55	53	7.00	1.05	8.05	32.20
56	52	7.00	1.05	8.05	32.20
57	51	7.00	1.05	8.05	32.20
58	50	7.00	1.05	8.05	32.20
59	49	7.00	1.05	8.05	32.20
60	48	7.00	1.25	8.25	33.00
61	47	7.00	1.25	8.25	33.00
62	46	7.00	1.25	8.25	33.00
63	45	7.00	1.25	8.25	33.00
64	44	7.00	1.25	8.25	33.00
65	43	7.00	1.25	8.25	33.00

Month loaned	Monthly payment	Principal	Interest	Installment	Four contracts matured, total
66	42	7.00	1.25	8.25	33.00
67	41	7.00	1.25	8.25	33.00
68	40	7.00	1.25	8.25	33.00
69	39	7.00	1.25	8.25	33.00
70	38	7.00	1.25	8.25	33.00
71	37	7.00	1.25	8.25	33.00
72	36	7.00	1.45	8.45	33.80
73	35	7.00	1.45	8.45	33.80
74	34	7.00	1.45	8.45	33.80
75	33	7.00	1.45	8.45	33.80
76	32	7.00	1.45	8.45	33.80
77	31	7.00	1.45	8.45	33.80
78	30	7.00	1.45	8.45	33.80
79	29	7.00	1.45	8.54	33.80
80	28	7.00	1.45	8.45	33.80
81	27	7.00	1.45	8.45	33.80
82	26	7.00	1.45	8.45	33.80
83	25	7.00	1.45	8.45	33.80
84	24	7.00	1.65	8.65	34.60
85	23	7.00	1.65	8.65	34.60
86	22	7.00	1.65	8.65	34.60
87	21	7.00	1.65	8.65	34.60
88	20	7.00	1.65	8.65	34.60
89	19	7.00	1.65	8.65	34.60
90	18	7.00	1.65	8.65	34.60
91	17	7.00	1.65	8.65	34.60
92	16	7.00	1.65	8.65	34.60
93	15	7.00	1.65	8.65	34.60
94	14	7.00	1.65	8.65	34.60
95	13	7.00	1.65	8.65	34.60





## AFFIDAVIT OF W. R. MACKENZIE.

United States of America,       )  
District of Oregon,               ) ss.  
County of Multnomah.           )

I, W. R. Mackenzie, being first duly sworn, on oath say; that I am a Certified Public Accountant and have been for many years, and that I am the senior member of the firm of W. R. Mackenzie & Son, of Portland, Oregon; that the contract of the plaintiff, The National Mercantile Company, Limited, was submitted to my firm for the purpose of ascertaining how it would work out. I further state that we have worked out a detail statement of 100 contracts of \$1000 each, in a series where the net monthly installments are maintained at \$760 by adding additional contracts to fill vacancies caused by contracts maturing. The statement is hereto attached marked Exhibit "A" and made part of this affidavit, and is based upon the companies contract, which provides that the initial and three subsequent payments are used as an Expense Fund. And have further allowed an expense fund of 20 per cent on all subsequent payments up to time of loan. And that the result is that the last contract of the first \$100,000 will mature in the 94th month from the first payment.

We have figured and are in a position to state absolutely that assuming that the company can keep its expenses within seven and one-half ( $7\frac{1}{2}\%$ ) of all moneys paid in by contract holders prior to maturity of loan, that the Company will be in a position to absolutely to carry out all the terms of the contract on its part with-

out taking into consideration the profits or increase of the loan and reserve fund, which the company is entitled to receive, by reason of lapses, paid-up Certificates, surrender value, or use of surplus funds.

W. R. Mackenzie.

Subscribed and sworn to before me this 22nd day of June, 1914.

(Seal)

O. A. Neal,  
Notary Public for Oregon.

COPY

PORTLAND, OREGON, June 20, 1914.

Mr. George E. Stillings, President,

The National Mercantile Company, Limited,

Vancouver, B. C.

Dear Sir:

In accordance with your request we have made a detailed examination of the terms and conditions embraced in the 3% loan and home purchasing contract of The National Mercantile Company, Limited, with a view to compiling a series of one hundred contracts and submit herewith the following described exhibit:

EXHIBIT "A"

STATEMENT SHOWING THE MONTHS ON WHICH CONTRACTS WOULD MATURE IN A SERIES OF ONE HUNDRED CONTRACTS, THE SERIES BEING MAINTAINED AT ONE HUNDRED CONTRACTS.

Yours truly,

(Signed)

W. R. Mackenzie & Son,  
Certified Public Accountants.

THE NATIONAL MERCANTILE COMPANY,  
LIMITED, VANCOUVER, B. C.

STATEMENT SHOWING THE MONTHS ON  
WHICH CONTRACTS WOULD MATURE  
IN A SERIES OF ONE HUNDRED CON-  
TRACTS, THE SERIES BEING MAIN-  
TAINED AT ONE HUNDRED CON-  
TRACTS.

Month	Amount of Loan	Amount of Loans to Date
6	\$1,000.00	\$1,000.00
7	1,000.00	2,000.00
8	1,000.00	3,000.00
9	1,000.00	4,000.00
11	1,000.00	5,000.00
12	1,000.00	6,000.00
13	1,000.00	7,000.00
14	1,000.00	8,000.00
15	1,000.00	9,000.00
17	1,000.00	10,000.00
18	1,000.00	11,000.00
19	1,000.00	12,000.00
20	1,000.00	13,000.00
21	1,000.00	14,000.00
22	1,000.00	15,000.00
24	1,000.00	16,000.00
25	1,000.00	17,000.00
26	1,000.00	18,000.00
27	1,000.00	19,000.00
28	1,000.00	20,000.00

THE NATIONAL MERCANTILE COMPANY,  
LIMITED, VANCOUVER, B. C.

STATEMENT SHOWING THE MONTHS ON  
WHICH CONTRACTS WOULD MATURE,  
ETC.

Month	Amount of Loan	Amount of Loans to Date
29	1,000.00	21,000.00
30	1,000.00	22,000.00
31	1,000.00	23,000.00
32	1,000.00	24,000.00
33	1,000.00	25,000.00
34	1,000.00	26,000.00
35	1,000.00	27,000.00
36	\$1,000.00	\$28,000.00
37	1,000.00	29,000.00
38	1,000.00	30,000.00
39	1,000.00	31,000.00
40	1,000.00	32,000.00
41	1,000.00	33,000.00
42	1,000.00	34,000.00
43	1,000.00	35,000.00
44	1,000.00	36,000.00
45	1,000.00	37,000.00
46	1,000.00	38,000.00
47	1,000.00	39,000.00
48	1,000.00	40,000.00
49	1,000.00	41,000.00
50	1,000.00	42,000.00
51	2,000.00	44,000.00
52	1,000.00	45,000.00



**THE NATIONAL MERCANTILE COMPANY,  
LIMITED, VANCOUVER, B. C.****STATEMENT SHOWING THE MONTHS ON  
WHICH CONTRACTS WOULD MATURE,  
ETC.**

Month	Amount of Loan	Amount of Loans to Date
53	1,000.00	46,000.00
54	1,000.00	47,000.00
55	1,000.00	48,000.00
56	1,000.00	49,000.00
57	1,000.00	50,000.00
58	2,000.00	52,000.00
59	1,000.00	53,000.00
60	1,000.00	54,000.00
61	1,000.00	55,000.00
62	1,000.00	56,000.00
63	\$2,000.00	\$58,000.00
64	1,000.00	59,000.00
65	1,000.00	60,000.00
66	1,000.00	61,000.00
67	2,000.00	63,000.00
68	1,000.00	64,000.00
69	1,000.00	65,000.00
70	1,000.00	66,000.00
71	2,000.00	68,000.00
72	1,000.00	69,000.00
73	1,000.00	70,000.00
74	2,000.00	72,000.00
75	1,000.00	73,000.00
76	1,000.00	74,000.00

THE NATIONAL MERCANTILE COMPANY,  
LIMITED, VANCOUVER, B. C.

STATEMENT SHOWING THE MONTHS ON  
WHICH CONTRACTS WOULD MATURE,  
ETC.

Month	Amount of Loan	Amount of Loans to Date
77	2,000.00	76,000.00
78	1,000.00	77,000.00
79	2,000.00	79,000.00
80	1,000.00	80,000.00
81	1,000.00	81,000.00
82	2,000.00	83,000.00
83	1,000.00	84,000.00
84	2,000.00	86,000.00
85	1,000.00	87,000.00
86	2,000.00	89,000.00
87	1,000.00	90,000.00
88	2,000.00	92,000.00
89	1,000.00	93,000.00
90	\$2,000.00	\$95,000.00
91	1,000.00	96,000.00
92	2,000.00	98,000.00
93	1,000.00	99,000.00
94	2,000.00	101,000.00

DISTRICT OF OREGON,     )  
  ) ss.

County of Multnomah.     )

Due service of the within affidavit is hereby accepted in Multnomah County, Oregon, this 22nd day

of June, 1914, by receiving a copy thereof, duly certified to as such by O. A. Neal, Attorney for Plaintiff.

Martin L. Pipes,

Attorney for Defendant Martin.

Filed June 22, 1914. A. M. Cannon, Clerk.

And afterwards, to wit, on the 16th day of July, 1914, there was duly filed in said court and cause an **AFFIDAVIT OF GEORGE E. STILLINGS**, in words and figures as follows, to wit:

### **AFFIDAVIT OF GEORGE E. STILLINGS.**

Province of British Columbia, )

Dominion of Canada, )

to-wit: )

**IN THE MATTER** of the Corporation  
Laws of the State of Oregon, and  
Amendments, and,

**IN THE MATTER** of the Memorandum of Association and Articles of the  
National Mercantile Company, Limited, and,

**IN THE MATTER** of a certificate required of the United States Consul at  
Vancouver, British Columbia, as to  
their genuine, valid and subsisting  
character:

I, George Edward Stillings, of the City of Vancouver, in the Province of British Columbia, President and Manager of the above named Company, **DO SOL-**

EMNLY DECLARE: That I made application to Mr. Mansfield, the United States Consular Agent at Vancouver, British Columbia, for a Certificate that the copy of the Memorandum of Association and Articles of The National Mercantile Company, Limited, as altered, are of a genuine, valid and subsistent character.

2. That said copy produced by me to the said United States Consul were certified by the Registrar of Joint Stock Companies for British Columbia to be correct copies of the Memorandum of Association and Articles of the said Company as filed and registered in the office of the Registrar of Joint Stock Companies at Victoria, British Columbia.

3. The said Consul refused to sign the Certificate which I requested of him and as above mentioned, stating that he felt he could not properly do so. But he suggested that if a Certificate were obtained from the Provincial Secretary for the Province of British Columbia certifying to the effect that the Registrar of Joint Stock Companies was the proper officer having the custody of the original Memorandum of Association and Articles of the said Company, and that the said Registrar has the requisite official knowledge as to whether such memorandum of Association and Articles are of a genuine, valid and subsistent character, that he would give his certificate as required.

4. I had first applied to the Registrar of Joint Stock Companies to certify that the said Memorandum and Articles were of a genuine, valid and subsistent character, and the said Registrar refused to give such certificate, as appears by his letter dated the 25th day of



June, 1914, addressed to my said company, which said letter is now produced and shown to me and marked "Exhibit G. E. S. 4," to this, my Declaration.

5. I thereupon caused my Solicitors, Messrs. Burns & Walkem, to apply to the Provincial Secretary of the Province of British Columbia, to obtain a Certificate to the effect as suggested by the United States Consul aforesaid, and I am advised by my said Solicitors, as appears by their letter to the said Company dated the 8th day of July, A. D. 1914, that they made such application and that the said Provincial Secretary refuses to give such a Certificate, as appears by his letter of the 7th of July, A. D. 1914, addressed to my said Solicitors, Messrs. Burns and Walkem, for the reasons therein stated. The said letters are now produced and shown to me and marked Exhibits "G. E. S. 1" and "G. E. S. 2," respectively, to this, my Declaration.

6. I thereupon again interviewed the said United States Consul at Vancouver, British Columbia, advising him that the Provincial Secretary aforesaid refused to give the Certificate required of him, and I requested the said United States Consul to give the Certificate which I had before requested of him, certifying that the said Memorandum and Articles of the said Company were of a genuine, valid and subsistent character, and the said Consul absolutely refused to give such Certificate.

7. I thereupon wrote to my said Solicitors asking their opinion as to whether it would be advisable to apply to the Courts of British Columbia for a Mandamus or Order compelling the said Registrar of Joint Stock Companies and Provincial Secretary to give the Certifi-

cates required of them, and I am advised by my said solicitors, as appears by their letter to my said Company, dated the 9th day of July, 1914, that such an application would be useless, as the Mandamus would most probably not be granted. Said letter from my Solicitors is now produced and shown to me, and marked Exhibit "G. E. S. 3," to this, my Declaration.

8. For the reason stated, it is therefore impossible for The National Mercantile Company, Limited, to obtain a certificate from the United States Consul, certifying that the Memorandum of Association and Articles produced are of a genuine, valid and subsistent character, as required by the provisions of the Corporation Laws of the State of Oregon. And I make this solemn Declaration, conscientiously believing it to be true, and knowing it to be of the same force and effect as if made upon oath under the "Canada Evidence Act."

George Edward Stillings.

Declared before me at the City of Vancouver, in the Province of British Columbia, this 9th day of July, A. D. 1914.

W. S. Lane,

A Notary Public in and for the Province of British Columbia.

This is Exhibit "G. E. S. No. 1," referred to in the Declaration of George Edward Stillings, sworn before me herein this 9th day of July, A. D. 1914.

(Seal)

W. S. Lane,

A Notary Public for taking Affidavits within British Columbia.

(Exhibit G. E. S. No. 1.)

Provincial Secretary, Province of British Columbia,  
Victoria, July 7th, 1914.

Messrs. Burns & Walkem,  
Barristers, etc.,  
Winch Building,  
Vancouver, B. C.

Gentlemen:—

*Re the National Mercantile Co., Ltd.*

I return herewith the certificate and attachment enclosed with your letter of the 26th ultimo, and regret that it is not possible for me to sign this certificate in its present form.

At Mr. Garrett's request, I have already certified that he is the properly appointed Registrar of Joint Stock Companies, and as such has custody of the documents filed under the Companies Act and is authorized to certify to the truth of copies of them; but, as we view it, it is a matter for the Courts to decide whether any document filed is of "a genuine, valid and subsisting character." So long as it prima facie complies with the Companies Act, it is accepted for filing, but the Registrar does not look upon it as his duty, under the present law, to examine into the validity of such document.

I have the honor to be, gentlemen,

Your obedient servant,

H. E. Young,  
Provincial Secretary.

(Exhibit "G. E. S. No. 2.)

Winch Building, Vancouver, B. C.

July 8th, 1914.

National Mercantile Co., Ltd.,

Winch Building,

Vancouver, B. C.

Dear Sirs:—

Pursuant to your instructions we made application to the Provincial Secretary for British Columbia, to have him sign the certificate to satisfy the U. S. Consul at Vancouver, so that he would feel justified in signing his certificate, as required by the Oregon Companies Act. We are today in receipt of a letter dated the 7th inst. from the Provincial Secretary, from which you will see he refuses to sign the certificate which we asked of him. He also returned the certified copy of the Memorandum of Association and Articles as altered, of your Company. We herewith enclose the said Articles, certificate and the said letter from the Provincial Secretary, together with your copy of the Incorporation Laws of Oregon, which you left with us.

NRR/S

Yours truly,

Enclosures 4.

Burns & Walkem

per N. R. R.

This Exhibit is "G. E. S. No. 2" referred to in the Declaration of George Edward Stillings sworn before me herein this 9th day of July, A. D. 1914.

W. S. Lane,

A Notary Public for taking Affidavits within British Columbia.

(SEAL)



(Exhibit G. E. S. 3)

Winch Building, Vancouver, B. C.

July 9, 1914.

The National Mercantile Company, Limited,

Winch Building, City.

Dear Sirs:

Re Certificate of the National Mercantile Company,  
Limited, Articles of Association.

We are in receipt of your letter of the 9th inst., inquiring as to whether by reason of the refusal of the Provincial Secretary and the Registrar of Joint Stock Companies to give the Certificates requested, it would be of any use to apply to the Courts of British Columbia for a mandamus to compel these officers to give such certificates.

We think the office of the Registrar of Joint Stock Companies might be considered in the light of a depository for these documents, and the Registrar of Joint Stock Companies the custodian thereof, and we do not think that the British Columbia Companies Act contemplated that the Registrar of Joint Stock Companies or the Provincial Secretary should give such Certificates as you are requiring, namely; that the Articles and memorandum deposited are of a genuine, valid and subsisting character.

We, therefore, are of the opinion that it would be useless to apply to the Courts of British Columbia for the mandamus which you suggest, as the Courts would most likely refuse the application.

Yours faithfully,

Burns &amp; Walkem,

NRR/Flo.

Per N. R. R.

This is Exhibit "G. E. S. No. 3" referred to in the declaration of George E. Stillings sworn before me herein this 9th day of July, A. D. 1914.

W. S. Lane,

A Notary Public for taking Affidavits within British Columbia.

(SEAL)

Exhibit "G. E. S." No. 4.

Office of the Registrar of Joint Stock Companies.

The Government of the Province of British Columbia.

25th June, 1914.

The National Mercantile Company, Limited,

Winch Building,

Vancouver, B. C.

Dear Sirs:

I return certified copy of your Memorandum with additional certificate which you wish to be signed. I do not feel that I can sign any such certificate as there is no authority for it in the Companies Act. The Companies Act only provides that the Registrar may certify copies to be true copies. I can not certify that a document is either genuine, valid or subsisting. I also return your fee.

I am,

Your obedient servant,

H. G. Garrett,

REGISTRAR OF JOINT STOCK COMPANIES.

Enc.

This is Exhibit "G. E. S. No. 4" referred to in the

declaration of George Edward Stillings, sworn before  
me herein this 9th day of July, A. D. 1914.

W. S. Lane,

(SEAL)

A Notary Public for taking Affidavits within British Columbia.

STATE OF OREGON, )

) ss.

County of Multnomah. )

Due service of the within affidavit and the receipt of a copy thereof duly prepared and certified by George Rossman one of the attorneys for plaintiff is hereby admitted at the City of Portland, in said County and State, this 16th day of July, 1914.

Martin L. Pipes,

Attorney for Defendants.

Filed July 16, 1914. A. M. Cannon, Clerk.

And afterwards, to-wit, on the 27th day of July, 1914, there was duly filed in said Court, and cause an OPINION, in words and figures as follows, to-wit:

## OPINION.

Before Gilbert, Circuit Judge, and Wolverton and Bean, District Judges.

**Wilson, Neal & Rossman for the Plaintiff.**

Martin L. Pipes, John M. Pipes and George A. Pipes  
for Defendant R. A. Watson.

A. M. Crawford, Attorney General.

Walter H. Evans, District Attorney for Multnomah  
County.

Arthur A. Murphy, Deputy District Attorney for Multnomah County for the Defendants A. M. Crawford et al.

Wolverton, District Judge :

The chief purpose of this suit is to have declared void and inoperative an act of the Legislative Assembly of the State of Oregon entitled "An Act to protect purchasers of stocks and bonds and prevent fraud in the sale thereof; to create a corporation department," etc., approved February 28, 1913, and commonly known as the "Blue Sky Law."

The complainant is a British Columbia corporation, with its principal place of business at Vancouver, and claims to be doing a loaning business upon real estate mortgage security. It has a general agent, A. D. Baker, residing in Portland, Oregon. Applications for loans are made to him, and he forwards them to the company for approval. When approved, the company issues to Baker an undertaking, under seal, agreeing, in consideration of the payment of one-one hundredth ( $1/100$ ) of the loan each month, to pay to said Baker the amount of the desired loan, as soon as the loan fund of the company contains a sufficient amount of money to make up the said loan. The undertaking being assignable, Baker at once assigns the same to the prospective borrower, who thereupon makes his payments to Baker, or to the company, at his option. The loans so made or agreed to be made are secured by mortgages upon real property in Oregon. Baker attends to securing the mortgages, and, when executed, forwards them to the company, and also



collects and forwards to the company the monthly installments as they become due and payable.

The question is presented primarily whether, under this state of facts, the complainant is doing business within the State of Oregon.

The answer is obvious. Practically the entire business of the company relating to loans within the State is transacted by Baker, the general agent, residing at Portland. He solicits the loans, takes applications, collects the first payment, together with all installments, attends to taking the mortgages, and forwards all to the company at its home office. From the home office is issued the obligation, to Baker, which he assigns to the borrower at Portland. The business does not consist of the securing of one loan only, or for a limited number, but of continuous and numerous transactions of the kind, with numerous persons, and cannot be other than a carrying on of the business, and that within the State.

Being engaged in business within the State, the defendants, by plea in abatement, challenge complainant's right properly so to continue in business, or to maintain this suit, on the ground that a copy of its charter or articles of incorporation has not been properly certified. The objection consists in the fact that the certificate of the Consul General of the United States residing at Vancouver, B. C., fails to state that the certifying officer, that is, the legal keeper of the original charter or articles of incorporation, has the requisite knowledge as to whether such charter or articles of incorporation is of a genuine, valid and subsisting character.

The statute of Oregon, Sec. 6727 Lord's Oregon

Laws, requires that every foreign corporation shall, before transacting business in the State, file with the Secretary of State a written declaration of its desire and purpose to engage in business within the State, which declaration shall, among other things, be accompanied by a certified copy of the charter or articles of incorporation of the company, certified to by the legal keeper of the original, together with a certificate of the United States Ambassador, Minister, Consul General, Vice-consul, or Charge d'Affaires in such foreign country, "that such certifying officer has the requisite official knowledge as to whether such charter or articles of incorporation are of a genuine, valid and subsisting character, and that such copy is duly certified by the officer having the legal custody of the original."

The company has the certificate of the Registrar of Joint Stock Companies to the effect that the annexed copy of the articles of association is a true and correct copy of the original filed in the Registrar's office; also the certificate of the Provincial Secretary of British Columbia to the effect that the Registrar is the duly appointed officer, and that the signature and seal attached to his certificate are his signature and seal, and that said Registrar has the legal custody of the original document; and also a certificate of the Consul General of the United States residing at Vancouver, B. C., to the effect that the Registrar is the duly appointed and commissioned Registrar of Joint Stock companies for the province of British Columbia, and that to all his official acts full faith and credit are due and given. This officer does not, however, certify, as required by the statute of Oregon,

that the Registrar has requisite official knowledge "as to whether such charter or articles of incorporation are of a genuine, valid and subsisting character."

This leaves the credentials for obtaining a certificate or license for engaging in business in this State, as we think, fatally defective, and for that reason the complainant can have no proper or legal standing for doing or transacting business within the State. Not being authorized to do business within the State, it follows irresistibly that it has no legal standing for maintaining a suit here, and it has been so held in this jurisdiction. *Cyclone Mining Co. v. Baker Light & Power Co.*, 165 Fed. 996; *La Moine Lumber & Trading Co. v. Kesterson*, 171 Fed. 980.

It is further maintained, under the plea in abatement, that the complainant has failed to pay or offer to pay the annual license fee of \$100, as required by an act of the Legislative Assembly of the State, approved March 4, 1913, Session Laws 1913, p. 772. This statute requires that every foreign corporation shall, between July 1st and August 15th of each year, pay in advance to the corporation department an annual license fee of \$100. And this objection is also perhaps well assigned.

Again, it is urged that the complainant is engaged in a lottery business. While we are not assured that the business carried on can be so characterized, yet, from a cursory examination of the scheme under which the company makes its supposed loans and prosecutes its project, we are not at all persuaded that it is not engaged in a fraudulent business.

But, for the fatality in the Consul General's certi-

ificate, as heretofore indicated, the suit ought to abate, and such will be the order of the court.

Filed July 27, 1914. A. M. Cannon, Clerk.

And afterwards, to-wit, on Monday, the 10th day of August, 1914, the same being the 31st Judicial day of the regular July, 1914, term of said Court; Present: the Honorable Charles E. Wolverton, United States District Judge presiding, the following proceedings were had in said cause, to-wit:

### **FINAL DECREE.**

This cause was heard by the Hon. William B. Gilbert, United States Circuit Judge, and the Hon. Chas. E. Wolverton and Hon. Robt. S. Bean, United States District Judges, upon the pleas in abatement set out in the answers of all of the defendants, and was argued by O. A. Neal and George Rossman of counsel for the plaintiff, and by Martin L. Pipes and George A. Pipes, of counsel for defendant R. A. Watson; in consideration whereof it is

**ORDERED** and **ADJUDGED** that the said pleas in abatement be and the same are hereby sustained, and that the bill of plaintiff herein be, and the same is hereby, adjudged to be abated. And it is

**FURTHER ORDERED** that these defendants do have and recover of and from said plaintiff their costs and disbursements taxed at .....

Charles E. Wolverton,  
Judge of the above entitled Court.

Filed August 10, 1914. G. H. Marsh, Clerk.



And afterwards, to-wit, on the 8th day of September, 1914, there was duly filed in said Court, and cause a PETITION FOR APPEAL, in words and figures as follows, to-wit:

### **PETITION FOR APPEAL.**

To the Honorable William B. Gilbert, Circuit Judge and the Honorable Charles E. Wolverton and Robert S. Bean, District Judges, the above named The National Mercantile Company, Limited, a corporation, the plaintiff above named, feeling aggrieved by the decree rendered and entered in the above entitled cause on the 10th day of August, A. D. 1914, does hereby appeal from said decree to the Circuit Court of Appeals for the ninth circuit, for the reasons set forth in the assignment of errors filed herewith, and it prays that its appeal be allowed and that citation be issued as provided by law, and that a transcript of the record proceedings and documents upon which said decree was based, duly authenticated be sent to the United States Circuit Court of Appeals for the Ninth Circuit, under the rules of such court in such cases made and provided.

And your petitioner further prays that the proper order relating to the required security to be required of it be made.

Wilson, Neal & Rossman,  
Solicitors for Plaintiff.

Appeal allowed upon giving bond as required by law for the sum of Five Hundred (\$500.00) Dollars.

R. S. Bean,  
Judge of the above entitled Court.

STATE OF OREGON, )

) ss.

County of Multnomah, )

Due service of the within petition for appeal is hereby accepted in Multnomah County, Oregon, this 8th day of September, 1914, by receiving a copy thereof, duly certified to as such by O. A. Neal one of the attorneys for plaintiff.

Martin L. Pipes,

Attorney for Defendant R. A. Watson.

Walter H. Evans,

Attorney for all the Defendants except R. A.

Watson, Corporation Commissioner.

Filed September 8, 1914. G. H. Marsh, Clerk.

And afterwards, to-wit, on the 8th day of September, 1914, there was duly filed in said Court and cause an ASSIGNMENT OF ERRORS, in words and figures as follows, to-wit:

### ASSIGNMENT OF ERRORS.

Now comes the plaintiff in the above entitled cause and files the following assignment of errors upon which it will rely upon its prosecution of the appeal in the above entitled cause, from the decree made by this Honorable Court on the 10th day of August, 1914.

First: That the said District Court of the United States for the District of Oregon, Honorable William B. Gilbert, Circuit Judge and Honorable Charles E. Wolverton and Robert S. Bean, District Judges, sitting,

erred in sustaining the Pleas in Abatement filed herein by the defendants, and in entering an order that plaintiff's Bill of Complaint be abated.

Second: That the said District Court erred in holding that the plaintiff could not maintain its suit without having first complied with the laws of the State of Oregon, regulating the carrying on of business within said state by foreign corporations, as set forth in sections 6707, 6726 and 6727 of Lord's Oregon Laws, and with the act of the Legislature of the State of Oregon for 1913, regulating the payment of an annual license fee, General Laws of Oregon, 1913, page 772.

Third: That the said district court erred in refusing to hold that the attempt made by the plaintiff to comply with the laws of the State of Oregon, regulating the carrying on of business in said state by foreign corporations, as fully set forth in the plaintiff's supplemental complaint and in the affidavit of George E. Stillings dated July 9th, 1914, was a sufficient compliance with the laws of the State of Oregon, regulating the carrying on of business in said State by foreign corporations, as required by Sections 6707, 6726 and 6727 of Lord's Oregon Laws, and by an act of the legislature of the State of Oregon for 1913, General Laws of Oregon, 1913, page 772, to entitle said plaintiff to maintain this suit.

Fourth: That the said district court erred in failing and refusing to hold that the plaintiff was engaged in handling, selling and disposing of an article of commerce, within the meaning of the interstate commerce clause of the federal constitution.

Fifth: That the said District Court erred in failing and refusing to hold, that the business being carried on by the plaintiff through its soliciting agents in the State of Oregon, and its method of doing business in said state, as set forth in its Bill of Complaint and affidavits filed in said cause, constituted and was interstate commerce within the meaning of Section 8 of Article 1 of the Constitution of the United States, regulating interstate commerce.

Sixth: That the said District Court erred in refusing to grant the relief prayed for in the plaintiff's bill of complaint.

Seventh: That the said District Court erred in refusing to determine said cause upon its merits.

Eighth: That the said District Court erred in failing and refusing to pass upon the question of the constitutionality of Chapter 341 of the General Laws of Oregon for 1913, generally known as the "Blue Sky Law."

Ninth: That the said District Court erred in failing and refusing to hold and decide that Chapter 341 of the General Laws of Oregon for 1913, known as the Blue Sky Laws, was in violation of Sec. 20 of Art. 4 of the Constitution of the State of Oregon, which provides:

"Every Act shall embrace but one subject and matters properly connected therewith, which subject shall be expressed in the title; but if any subject shall be embraced in an Act which shall not be expressed in the title such shall be void only as to so much thereof as shall not be expressed in the title."



For the reason that said act embraces more than one subject, in that it proposes to

(a) Regulate and supervise stock brokers and the business conducted by them;

(b) Regulate and supervise investment companies;

(c) Regulate and supervise the agents of the brokers and their business; the kind and nature of securities in which purchasers may invest, and purports to protect purchasers of stocks and bonds;

(d) It purports to define fraud in the sale of stocks and bonds;

(e) It purports to create a Corporation Department.

And the title of the said act does not express the full subject thereof, in as much as the substance of the Act purports to define stock brokers and regulate their business, and the title of the act does not mention stock brokers or their business, and does not express the regulation and supervision of the purchase and sale by individuals, corporations, or partnerships of securities of any kind or character.

Tenth: That the said District Court erred in failing and refusing to hold and decide that Chapter 341 of the General Laws of Oregon for 1913, known as the "Blue Sky Law" was unconstitutional and void as being in violation of the Fourteenth Amendment to the Federal Constitution, for the reasons set forth in plaintiff's Bill of Complaint.

Eleventh: That the said District Court erred in

failing and refusing to hold that said Chapter 341 of the General Laws of Oregon for 1913, known as the "Blue Sky Law" was unconstitutional and void because in violation of Section 8 or Article 1 of the Constitution of the United States, for the reasons set forth in plaintiff's bill of complaint.

Twelfth: That the said District Court erred in not finding and decreeing that said Chapter 341 of the General Laws of the State of Oregon for 1913, known as the "Blue Sky Law" was unconstitutional and void because in violation of Section 10 of Article 1 of the Constitution of the State of Oregon and of the Fourteenth Amendment to the Federal Constitution, for the reason that it deprives the plaintiff and others similarly situated, of the property without due process of law, as set forth in plaintiff's bill of complaint.

Thirteenth: That the said District Court erred in failing to find and decree that said Chapter 341 of the General Laws of Oregon for 1913, known as the "Blue Sky Law" was unconstitutional and void as being in violation of Section 20, Article 1 of the Constitution of the State of Oregon, and of the Fourteenth Amendment to the Constitution of the United States, because said act undertakes to regulate and restrict the rights of corporations, co-partnerships, associations, and firms, who by said act are defined as stock brokers, and the plaintiff and its representatives in Oregon, and all such stock brokers, and provides that said brokers shall not sell, nor offer for sale any securities, nor profess the business of selling or offer for sale any securities covered by said act, unless such stock broker shall have otherwise com-

plied with the requirements of said act; that, insofar as the said Act attempts to classify and define said stock brokers in said securities, it is unconstitutional and void, because it denies to said broker, as therein defined, the equal protection of the law, and in defining and classing those who sell or offer for sale any of the stocks, bonds or other securities issued by investment companies, as defined by said act, said classification is unreasonable, invalid and void.

And further because said act purports to prohibit plaintiff and others similarly situated from selling or offering for sale any stocks, bonds or other securities covered by said Act, unless plaintiff shall furnish the said corporation commissioner with a statement as to their names, addresses, the general character of the securities to be dealt in, the place of their office in Oregon, and shall furnish evidence establishing the sound, moral character and good business repute of the person so applying, and for what length of time and in what capacity he has been engaged in the sale of securities, also a statement of the assets and liabilities of all persons interested as principals, officers, directors and managing or sales agents of such stock broker and such additional information as the Commissioner may deem necessary.

Fourteenth: That the said District Court erred in failing to find and decree that said Chapter 341 of the General Laws of Oregon for 1913, known as the "Blue Sky Law" was unconstitutional and void, as being in violation Section 1 of Article 3 of the Constitution of the State of Oregon, because said act undertakes to

delegate legislative authority to the Corporation Commissioner attempted to be created under said act.

Fifteenth: That said District Court erred in failing to find and decree that said Chapter 341 of the General Laws of Oregon for 1913, known as the "Blue Sky Law" was unconstitutional and void, as being in violation of the Fourteenth Amendment to the Constitution of the United States, and in violation of Section 18, Article 1 of the Constitution of the State of Oregon, in that said act denies to plaintiff, the right to a judicial investigation, by due process of law, as to whether the articles of incorporation, constitution and by-laws of plaintiff, and others similarly situated, proposed plan of business, proposed contracts contain and provide for a safe, fair, just and equitable plan for the transaction of business, and as to whether such articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provision that is unsafe, unfair, unjust, inequitable or oppressive to any class of contributors or customers, and as to whether such investment company is solvent and intends to do a fair and honest business.

Sixteenth: That said District Court erred in failing to find and decree that said Chapter 341 of the General Laws of Oregon for 1913, known as the "Blue Sky Law," was unconstitutional and void, in that said act subjects plaintiff, and others similarly situated, to cruel, unusual and vindictive punishment, in violation of Section 15 of Article 1 of the Constitution of the State of Oregon, by reason of the fact that it prescribes a penalty for the sale or offer for sale of any stocks, bonds or



other securities of investment companies unless said companies shall comply with the restrictions mentioned in said act, of a fine of ten thousand dollars or imprisonment in the state prison for not more than ten years, or both, in case of conviction.

Seventeenth: That the said District Court erred in not finding and decreeing for plaintiff on the record.

Eighteenth: That the decree of said District Court is against the law and equity of said cause.

Nineteenth: That said District Court erred in failing to find and enter a decree allowing plaintiff's motion for an injunction.

WHEREFORE, the appellant prays that said decree be reversed and that said District Court for the District of Oregon be ordered to enter a decree reversing the decision of the lower court in said cause.

Wilson, Neal & Rossman,

Solicitors for Plaintiff and Appellant.

DISTRICT OF OREGON,           )  
   ) ss.

County of .....)

Due service of the within Assignment of Errors is hereby accepted in Multnomah County, Oregon, this 8th day of September, 1914, by receiving a copy thereof, duly certified to as such by O. A. Neal, one of the attorneys for plaintiff.

Martin L. Pipes,

Attorney for R. A. Watson, Defendant.

Walter H. Evans.

Attorney for all the Defendants except R. A.  
Watson, Corporation Commissioner.

Filed September 8, 1914. G. H. Marsh, Clerk.

And afterwards, to-wit, on the 10th day of September, 1914, there was duly filed in said Court, and cause, a **BOND ON APPEAL**, in words and figures as follows, to-wit:

### **BOND ON APPEAL.**

KNOW ALL MEN BY THESE PRESENTS, that The National Mercantile Company, Limited, a corporation, as principal, and The National Surety Company, a corporation organized and existing under the laws of the State of New York, and authorized to transact a surety business in the State of Oregon, are held and firmly bound unto R. A. Watson, Corporation Commissioner; A. M. Crawford, Attorney General; Walter H. Evans, Dist. Atty. in Multnomah County; John Irwin, Dist. Atty. in Jackson County; George M. Brown, Dist. Atty. in Douglas County; Joseph M. Devers, Dist. Atty. in Lane County; Arthur Clarke, Dist. Atty. in Benton County; Lawrence A. Liljequist, Dist. Atty. in Coos County; Gale S. Hill, Dist. Atty. in Linn County; Ernest R. Ringo, Dist. Atty. in Marion County; Gilbert L. Hedges, Dist. Atty. in Clackamas County; D. H. Upjohn, Dist. Atty. in Polk County; E. B. Tongue, Dist. Atty. in Washington County; C. W. Mullens, Dist. Atty. in Clatsop County; W. B. Dillard, Dist. Atty. in Columbia County; W. A. Bell, Dist. Atty. in Wasco County; Frederick H. Steiwer, Dist. Atty. in Umatilla County; and S. T. Godwin,

Dist. Atty. in Baker County, defendants and appellees in the sum of Five Hundred Dollars (\$500.00), lawful money of the United States, to be paid to them and their respective executors, administrators and successors, to which payment well and truly to be made we bind ourselves and each of us jointly and severally, and each of our successors and assigns by these presents.

Sealed with our seals, and dated this 8th day of September, 1914.

WHEREAS, the above named plaintiff, The National Mercantile Company, Limited, has prosecuted an appeal to the United States Circuit Court of Appeals for the Ninth Circuit, to reverse the decree of the District Court of the United States for the District of Oregon, in the above entitled cause.

NOW, THEREFORE, the condition of this obligation is such that if the above named plaintiff, The National Mercantile Company, Limited, shall prosecute its said appeal to effect, and answer all costs, if it fail to make good its appeal, then this obligation shall be void, otherwise to remain in full force and effect.

THE NATIONAL MERCANTILE COMPANY,  
LIMITED,

By G. E. Stillings  
President.

Witnesses as to  
National Mercantile  
Co., Ltd.

(Corporate Seal)

George L. Ryan  
D. Coupland.

THE NATIONAL MERCANTILE COMPANY,  
LIMITED,

By C. P. Nellist,  
Secretary.

(Seal)

NATIONAL SURETY COMPANY,

By Max Hubbert, Resident Vice President.

M. R. Mann,

Witnesses as to Res. Asst. Secy.

National Surety Co.

Cora Osmund

O. A. Neal.

The within bond is approved both as to sufficiency  
and form, this 10th day of September, 1914.

R. S. Bean,

Judge of the above entitled Court.

STATE OF OREGON, )

) ss.

County of Multnomah. )

Due service of the within Bond on Appeal and the  
receipt of a copy thereof duly prepared and certified by  
O. A. Neal one of the attorneys for plaintiff and appellee  
is hereby admitted at the City of Portland, in said Coun-  
ty and State, this 8th day of September, 1914.

M. L. Pipes,

Attorney for R. A. Watson, Defendant.

Walter H. Evans,

Attorney for all Defendants above named except

R. A. Watson.

Filed September 10, 1914. G. H. Marsh, Clerk.



And afterwards, to-wit, on the 10th day of September, 1914, there was duly filed in said Court, and cause, a PRAECIPE FOR TRANSCRIPT, in words and figures as follows, to-wit:

**PRAECIPE FOR TRANSCRIPT.**

*In the District Court of the United States, for the  
District of Oregon.*

THE NATIONAL MERCANTILE COMPANY, LIMITED, a corporation,

Defendant,

vs.

R. A. WATSON, Corporation Commissioner;  
A. M. CRAWFORD, Attorney General;  
WALTER H. EVANS, District Attorney  
in Multnomah County; John Irwin, Dist. At-  
torney in Klamath County; E. E. Kelly, Dist.  
Atty. in Jackson County; GEORGE M.  
BROWN, Dist. Atty. in Douglas County;  
JOSEPH M. DEVERS, Dist. Atty. in  
Lane County; ARTHUR CLARKE, Dist.  
Atty. in Benton County; LAWRENCE A.  
LILJEQUIST, Dist. Atty. in Coos Coun-  
ty; GALE S. HILL, Dist. Atty. in Linn  
County; ERNEST R. RINGO, Dist. Atty.  
in Marion County; GILBERT L.  
HEDGES, Dist. Atty. in Clackamas Coun-  
ty; D. H. UPJOHN, Dist. Atty. in Polk  
County; E. B. TONGUE, Dist. Atty. in

Washington County; C. W. MULLENS,  
Dist. Atty. in Clatsop County; W. B. DILL-  
LARD, Dist. Atty. in Columbia County; W.  
A. BELL, Dist. Atty. in Wasco County;  
FREDRICK H. STEIWER, Dist. Atty.  
in Umatilla County; S. T. GODWIN, Dist.  
Atty. in Baker County,

Defendants.

**Praeceptum for Transcript**

TO G. H. MARSH, Clerk of the District Court of  
the United States, for the District of Oregon:

Please prepare and certify transcript of the record  
in the above entitled cause upon the appeal of the above  
named The National Mercantile Company, Limited, a  
corporation, to be filed in the office of the Clerk of the  
United States Circuit Court of Appeals for the Ninth  
Circuit, and include in said transcript the following  
papers, pleadings and proceedings from the record in  
said cause, to-wit:

Original Bill of Complaint, Filed April 20th, 1914.

Subpoena with order authorizing service to be made  
by A. D. Baker, and affidavit of A. D. Baker, showing  
service. Order to show cause why defendants should not  
be restrained; motion for temporary restraining order,  
and affidavits of A. D. Baker, dated April 20, 1914;  
affidavit of George E. Stillings, dated April 20, 1914;  
affidavit of W. B. Boyer, dated April 22, 1914; affidavit  
of E. M. Borns, dated April 21, 1914; and joint affi-  
davit of George E. Stillings and A. D. Baker, dated

April 22, 1914; affidavit of Amandus Butcher, dated April 21, 1914; affidavit of George E. Stillings, dated April 22, 1914, and all filed on April 22, 1914.

Answer and Plea in Abatement of R. A. Watson, filed June 22, 1914.

Answer and Plea in Abatement of all other defendants, filed June 15, 1914.

Supplemental Complaint, with exhibits, filed June 21st, 1914.

#### Affidavits of

Wiliam Thomas Stein, dated April 23, 1914;

Richard F. Winch, dated April 24, 1914.

Walter A. Sheppard, dated April 24, 1914;

William Osborne Webster, dated April 24, 1914;

Harry Cowan, dated April 25, 1914;

J. G. Todhunter, dated April 24, 1914;

Knox Walkem, dated April 23, 1914;

A. Dowd, dated April 27, 1914, with exhibits;

All filed April 28, 1914.

Affidavit of R. A. Watson, dated April 27th, 1914; with exhibits, except decisions referred to therein. Filed April 28th, 1914.

Affidavits of George E. Stillings, dated June 15th, 1914, and June 22, 1914, both filed June 22, 1914.

Affidavit of Wm. T. Stein, dated June 4th and 22, 1914, with exhibits. Filed June 22, 1914.

Affidavit of W. R. Mackenzie, dated June 22, 1914, with exhibits. Filed June 22, 1914.

Affidavit of George E. Stillings, dated July 9, 1914, with exhibits. Filed July 16th, 1914.

Opinion, filed July 27, 1914.

Decree, filed and entered August 10th, 1914.

Petition for Appeal Order allowing Appeal, Assignments of Errors, Citation on Appeal, Bond on Appeal.

This Praecipe for Transcript.

Said Transcript to be prepared as required by law and the Rules of the United States Circuit Court of Appeals for the Ninth Circuit.

Wilson, Neal & Rossman,  
Solicitors for Plaintiff.

DISTRICT OF OREGON,           )  
  ) ss.  
County of Multnomah.           )

Due service of the within praecipe for transcript is hereby accepted in Multnomah County, Oregon, this 10th day of September, 1914, by receiving a copy thereof, duly certified to as such by O. A. Neal, one of the attorneys for plaintiff.

Martin L. Pipes,  
Attorney for Defendant R. A. Watson.

Walter H. Evans,  
Attorney for all the Defendants except R. A.  
Watson, Corporation Commissioner.

Filed September 10, 1914. G. H. Marsh, Clerk.

UNITED STATES OF AMERICA,   )  
  ) ss.  
DISTRICT OF OREGON.           )

I, G. H. Marsh, Clerk of the District Court of the



United States for the District of Oregon, do hereby certify that I have prepared the foregoing transcript of record on appeal in the case of National Mercantile Company, Limited, a corporation, plaintiff and appellant, against R. A. Watson, Corporation Commissioner and others, defendants, in accordance with the law and the rules of this Court, and in accordance with the praecipe of the appellant filed in said cause, and that the said transcript of record is a full, true and correct transcript of the record and proceedings had in said Court, in accordance with said praecipe, as the same appears of record and on file at my office and in my custody.

And I further certify that the cost of the foregoing record is \$..... for preparing transcript and \$..... for printing and that the same has been paid by the plaintiff in error.

In testimony whereof I hereunto set my hand and affix the seal of said Court, at Portland, in said District, on the .....day of..... 1914.

.....  
Clerk.